

Approved: 1/25/93
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 1:30 p.m. on January 21, 1993 in Room 514-S of the Capitol.

All members were present except: Rep. JoAnn Pottorff (excused absence)
Rep. Denise Everhart (excused absence)

Committee staff present: Ellen Piecalkiewicz, Legislative Research Department
Timothy Colton, Legislative Research Department
Jerry Cole, Committee Secretary
Sharon Schwartz, Administrative Assistant
Mike Leitch, Intern

Conferees appearing before the committee:

Secretary Michael Johnston, Department of Transportation
Secretary Bob Knight, Department of Commerce and Housing
Dr. William Brundage, Kansas Technological Enterprise Corporation
Dr. Charles Warren, Kansas, Inc.

Others attending: See attached list

Secretary Michael Johnston was asked to appear before the committee to give of an overview of the department's FY94 budget. In doing so Secretary Johnston provided written testimony of his presentation to the committee. (See Attachment 1). He said that FY 1994 was to be the department's largest contract year. With this abundance of contract work comes increased expenditures. Secretary Johnston listed some of the increases which included overtime, temporary employees, and contract inspections. With regards to overtime, he told the committee that the recent snow storms were requiring some unforeseen overtime. He said that the committee may need to look at additional budgeting for this expenditure before sessions end.

An emphasis was placed on the Dept. of Transportation's Comprehensive Highway Program. Secretary Johnston said that this program was the highest priority for the KDOT. Of that program, he stated that new construction was the least emphasized and that the 3 foot shoulder was the most. Reasons for this included its cost effectiveness. This improvement is directly related to low cost of the improvement in relation to the substantial increase in safety.

With regard to the budget in particular, Secretary Johnston said that the Governor had recommended one that allowed for an additional \$7.3 million. He also spoke of the bonds that the department had sold. Secretary Johnston pointed out that \$375 of the \$890 million worth of allocated bonds had thus far been sold and they would be sold in their entirety by the end of this fiscal year.

Chairman Chronister directed the committee's attention to Rep. Teagarden. Rep. Teagarden made a motion to introduce a bill which dealt with KPERS benefits for part-time school employees. Rep. Helgersen seconded said motion. Motion carried.

Secretary Bob Knight, Department of Commerce and Housing was next on the agenda. He too, presented testimony for the committee. (See Attachment 2). Secretary Knight said that there were currently no problems in the budget. He further added that total funding for the FY 1994 included \$48,511,828 with 115.5 FTE. This funding, he was pleased to announce, continued most function of the department and featured some cutbacks.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 p.m. on January 21, 1993.

The committee then heard Dr. William Brundage of the Kansas Technological Enterprise Corporation. (See Attachment 3). The FY 1994 Budget for KTEC including total funding of \$8,298,012 up from \$6,847,958 in FY 1993. One of the points that Dr. Brundage was quick to point out was the Governor's recommendation for \$1.5 million in seed capital. This funding, according to Dr. Brundage, was vital to the state's need to remain an economic competitor which was also KTEC's fundamental purpose.

The last conferee was Dr. Charles Warren representing Kansas, Inc. (See Attachment 4). Dr. Warren told the committee that Kansas, Inc. had done much for the state since it was created by the 1986 Legislature. He said the FY 1994 was funded for approximately \$1.9 million and that he did concur with those recommendations made by the Governor. Dr. Brundage also said there were no problems thus far with the FY93 budget.

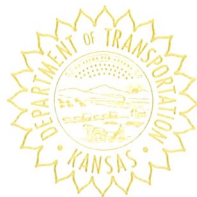
Chairman Chronister adjourned the meeting at 3:25 p.m. The next meeting is scheduled for January 25, 1993.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: JAN. 21, 1993

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
JoAnn Ferckling	418 E. 7th Herington, KS 67544	
Mary E. Turkington	Topeka	Kansas Motor Carriers Assn
Steve Blank		Intern: Rep. Gattlin
Roger Franko	Topeka	Ks Audit Consulting
Bob Totten	Topeka	Ko Contractors Association
Stan Scadder	Newton	" "
Bill Watts	Topeka	KDOT
Nancy Bogina	Topeka	KDOT
Kristal Turner		Intern: Rep. Barbara Ballard
Paul Johnson	Topeka	PACK
Bruce James	Wichita	Boeing
Carl Hull	Topeka	Ks Motor Carriers Assn
MIKE WASCIUK	"	DOB
Mark Barcellina	" "	KDOC & H
Craig Pearlin	Topeka	Ks Dept. of Transp.
Bill Thompson	Topeka	KDOC & H
Sherry Brown	Topeka	KDOC & H
Carol Morgan	Topeka	Ks Dept. of Comm. & Housg.
Bob Knight	Topeka	Ks Dept. of Comm. & Housg.
Chris Cooper	Topeka	KTEC
Jannelle Berroth	Topeka	KTEC
Cindy Diehl	"	"



Michael L. Johnston
Secretary of Transportation

KANSAS DEPARTMENT OF TRANSPORTATION

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Joan Finney
Governor of Kansas

**TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
January 21, 1993**

**MICHAEL L. JOHNSTON
SECRETARY OF TRANSPORTATION**

Madam Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today to review the Department of Transportation's proposed budget for FY 1994. The following remarks address the six items requested in your letter of January 4:

1. A brief overview of the Department's FY 1994 budget;
2. Problem areas in the current year budget or the FY 1994 budget;
3. Discussion of any unusual or large increases during the past five years which have been granted by the Legislature or by executive order, or which have been financed by savings in other areas;
4. What, as the Department Secretary, I would like the Department to emphasize and how I would accomplish that goal;
5. Which of our current or proposed programs are, in my opinion, the most cost effective; and
6. What, in my view, the public expects from the Department and how I am proposing to improve services during the next budget year.

Overview of FY 1994 Budget (see Attachments No. 1 & 2)

- FY 1994 will be the largest contract year of the program in terms of miles and number of bridges, causing a peak in construction activity and associated construction inspection. To meet that workload, the Governor's budget provides:
 - 1) increased overtime
 - 2) increased temporary hires
 - 3) increased contract inspections
 - 4) increased travel and other associated expenses
- Use of contract design has peaked and will continue a decline in FY 1994.
- Capital Outlay funding in FY 1994 is less than past years.
 - 1) Funding would provide for replacement items.
 - 2) Some shift in type of items for maintenance to implement a new equipment plan to achieve both increased cost containment and efficiency is made.
- Current systems development efforts will be continued - no new systems will be initiated. Funding would include:
 - 1) Modification to existing systems to initiate efforts to comply with federal law which requires the state to use the metric system by FFY 1997.
 - 2) Contract Services to reduce current programming backlog.
 - 3) Some increase in employee training primarily in the microcomputer area (\$90,000).
- Debt Service will increase because of the sale of bonds, which will be sold over a five-year period. FY 1994 anticipates the sale of \$250,000,000 in bonds.
- Aid to local units of government will increase slightly with an increase in motor fuels tax distribution through the Special City and County Highway Fund but a decrease in the estimated pass through of federal safety, rail, and public transportation funds. The decline results primarily because prior year carryover funds will be distributed in FY 1993 for railroad assistance and safety grants.

- Funding continues for replacement of salt storage buildings with dome structures and maintenance of current facilities. The salt storage buildings replacement program is a multi-year program which should be completed in FY 2000 or 2001. Approximately 12 locations are undertaken yearly.
- The budget would merge local construction funding into the State Highway Fund rather than continuing the Restricted Fees Fund. That would provide the Department another alternative when local units of government do not deposit their share of the project cost at time of letting.
- The Department is funded with state-imposed, special user fees and fuel taxes, a portion of the state sales tax, interest on investments of highway-related revenues, federal aid, and bond proceeds. All revenue enhancements have been phased in. Revenue trends are:
 - 1) FY 1994 state source receipts show a slight growth over FY 1993 but still lag the 1989 projections for the five-year period (FY 1990-1994)
 - 2) Revenue transfers to other state agencies are estimated to be less in FY 1994 than FY 1993 but likewise are higher than estimated in 1989 for the five-year period (FY 1990-1994). The transfer estimates are:

AGENCY	FY 1993	FY 1994
Board of Agriculture	\$ 115,500	\$ 116,025
D of A Purchasing Services	185,063	194,316
Dept. of Corrections	87,920	89,083
Division of Architectural Services	95,935	110,064
Division of Vehicles	28,402,936	24,400,000
Highway Patrol	5,701,284	5,083,416
Historical Society	298,500	299,983
Universities & Other (Safety Grants)	1,008,000	643,900
KU/KSU Research (KTRAN)	487,430	500,000
Governor's Office (Liaison Contract)	18,116	18,116
Parks & Wildlife	1,200,000	1,500,000
Post Audit Services	29,075	30,529
Corrections (Safety Records)	69,000	69,000
State Treasurer	<u>108,327</u>	<u>92,827</u>
Total	37,807,086	33,147,259

- 3) Federal-aid is estimated to be slightly higher but is subject to wide annual fluctuations. The actual annual level is unpredictable due to the fact that the obligation levels are subject to the annual appropriations process.

Problem Areas

- Need for a technical change to account for payment of expenses related to the Pre-1992 Bonds (State Freeway Bonds).

The State Highway Fund has the authority for payment of these expenses; however, an account is needed within the fund to ensure proper recording of the expenditures.

The Governor's budget includes a new account for FY 1993 and FY 1994 entitled "Pre 1992 Bond Service Fees . . . No Limit" from the State Highway Fund.

- No other supplemental funding is required. In fact, the revised FY 1993 operating budget is \$2,139,008 below the approved limitation.
- I do wish to indicate that recent snow storms required significant overtime by maintenance staff. We may need to revisit overtime funding before the session is over if the winter season continues to have above average snowfall.

Five Year Historical Growth

- Comprehensive Highway Program initiated in FY 1990:
 - (1) 163 new FTE (a 5% increase):
 - 131 in FY 1990
 - 17 in FY 1991
 - 15 in FY 1993
 - (2) Increased overtime and temporary hires
 - (3) Increased associated operating costs
 - (4) Significant increase in the Construction and Maintenance program and aid to cities and counties
- Enhanced bridge inspections required by FHWA; 5 FTE and supporting expenses added by Finance Council action in FY 1990.
- Systems Development Projects Undertaken
 - (1) FY 1990: Comprehensive Program Management; \$1.7 million
 - (2) FY 1991
 - (a) Integrated Design Environment: \$1.4
 - (b) Construction Management System: \$2.4
- Unusual debt service payment in FY 1992 resulting from the call of the 1985A Bonds.
- There are fluctuations in expenditure patterns for individual object codes throughout the budget from year to year - the current year budget is revised to reflect the most recent trend and to reflect proposed changes in expenditure patterns resulting from changes in program efforts.
- Bond proceeds began to be used in FY 1992 to finance a portion of the construction program.

Emphasis Areas

- Completing the Comprehensive Highway Program, as adopted and published, is the Department's highest priority. Accomplishing this requires:
 - 1) aggressive project development and project management efforts
 - 2) a relatively stable economy
 - 3) effective use of the bonding authority provided
- We are also emphasizing efforts to improve the entire management environment that exists within the Department. Those efforts include:
 - 1) implementation of Kansas Quality Management
 - 2) use of Strategic Management Planning to identify long-range objectives further in advance than would occur as a part of the budget process and communicate strategies to address those objectives
 - 3) development of employee forums as a mechanism for employee input and enhanced communication within the Department

Cost Effectiveness of Department Programs

- The benefits of transportation programs include system preservation, increased safety and convenience to the traveling public, and economic development benefits. Comparisons of cost effectiveness between programs are not always meaningful because different transportation programs have different objectives.
- Within each program the Department uses priority formulas to help select the projects that will provide the greatest benefits in terms of safety, travel demand, and system preservation. The Department is always exploring the use of new techniques to help us select the optimal mix of highway projects to meet stated goals.
- The Comprehensive Highway Program has a heavy emphasis on reconstruction and maintenance and less emphasis on new construction, which is consistent with Department beliefs, i.e.:
 - 1) new construction (i.e., adding new mileage to the system) is probably the least cost-effective thing we do, because the amount spent is high and it creates new continuing maintenance costs;
 - 2) paving 3-foot shoulders is probably one of the most cost effective types of construction projects, because the initial cost is low in comparison to its effects on increased safety and reduced maintenance costs.
- We also believe that the addition of a Substantial Maintenance program has proven to be a cost-effective way to arrest the deterioration of the 84 percent of the State Highway System that is not being addressed by the Major Modification component of the Comprehensive Highway Program.
 - 1) Both substantial maintenance and routine maintenance will play an increasingly important role as we near the end of the Comprehensive Highway Program and will be one of the most cost effective things we can do to keep the system going after the Program.
 - 2) The correct timing of maintenance actions will also be an important point to remember as we complete the Program. Having the funds available to complete maintenance actions when they are needed can make the difference between being able to resurface and preserve a roadway at a reasonable cost or having to reconstruct that roadway later at a far higher cost.

- The Department has also implemented a number of initiatives to improve its ability to plan and manage its work in a cost-effective manner:
 - 1) An Integrated Design Environment has been developed, which expands use of Computer Assisted Design hardware and integrates all of the preconstruction activities (including survey work, right of way acquisition, and design), to increase productivity.
 - 2) The new Comprehensive Program Management System, which came on line in 1992, supports resource scheduling, project budget management, and accomplishment monitoring.
 - 3) The Construction Management System, which will be operational in calendar year 1993, will enhance our ability to track each phase of a construction contract, supporting compliance monitoring, contract modifications, contract payments, and material quality control.
 - 4) Our new maintenance equipment plan will enable various field offices to make better use of new equipment while decreasing the overall cost of major equipment items.
 - 5) The Department continues to improve its Pavement Management System and is developing a Bridge Management System. Those systems help us to assess the condition of the state's roads and bridges and provide an essential tool for evaluating both the results of construction and maintenance activities and the remaining needs.

Public Expectations and Plans to Improve Department Services

We have been working to improve the public information provided by the Department, to ensure that we are responsive to individual concerns, and to improve our working relationships with contractors and vendors.

We have undertaken several initiatives to provide a higher level of service:

- The Department is trying out a new approach to public hearings for planned projects which provides opportunities for people to discuss their concerns one-on-one with the appropriate KDOT or contractor's staff. This technique is being used successfully in several states.
- The Long-Range Transportation Plan that the state is required to develop under ISTEA will also involve significant public input, in a continuing effort to improve public service.
- We have had several Partnering Workshops involving both KDOT and contractors' staff. The workshops provide techniques for problem solving, and we are beginning to see the benefits in better cooperation and reduced likelihood of claims and disputes.

In addition, we continue to seek new and better ways to keep the public informed of Department activities:

- During the last construction season we provided daily radio spots (public service announcements) on all seven Topeka radio stations, highlighting construction activities that were underway. Next construction season, we plan to expand this activity through a radio network, to include a weekly update in other areas of the state.
- Our Public Information Officer is forming a committee to investigate starting a work zone safety program. Remarks in recent employee forums highlighted the need for such a program, which would use improved signage, public service announcements, and billboards to educate the public about the need to drive carefully and observe speed limits in construction work zones.

Finally, as a result of broad statewide involvement in the development of the Comprehensive Highway Program and the identification of specific projects in five-year plans, the public expects us to keep the commitments that have been made.

KANSAS DEPARTMENT OF TRANSPORTATION

	FY 1989 Actual	FY 1990 Actual	FY 1991 Actual	FY 1992 Actual	FY 1993 GOV. REC.	FY93/FY92 %	FY 1994 GOV. REC.	FY94/FY93 %
Agency Operations	\$	\$	\$	\$	\$		\$	
Salaries								
Base	80,422,455	89,728,043	95,959,023	99,523,737	102,657,595	3.1	106,103,043	3.4
Overtime	2,284,886	3,407,244	3,773,612	3,221,464	4,508,437	39.9	4,932,491	9.4
Part-time	814,337	1,207,746	1,701,753	1,518,390	2,246,048	47.9	2,950,185	31.4
Subtotal	83,521,678	94,343,033	101,434,388	104,263,591	109,412,080	4.9	113,985,719	4.2
OOE								
Data Systems Op.	837,741	612,944	826,052	1,073,155	1,337,931	24.7	1,634,425	22.2
Data Systems Dev.	39,066	1,667,215	3,808,273	381,163	200,000	-47.5	865,000	332.5
Maint.(200 & 300's)*	25,559,890	27,889,965	28,264,056	27,278,906	30,867,287	13.2	31,642,543	2.5
Contract Maint.	0	218,119	1,305,043	4,577,388	0	-100.0	0	N/A
Travel	1,216,400	1,398,661	1,590,915	1,732,966	2,123,274	22.5	2,339,729	10.2
Capital Outlay	12,846,040	15,355,237	17,309,392	11,047,507	12,872,834	16.5	10,036,606	-22.0
Other	6,943,467	6,808,192	6,579,044	7,295,285	8,614,872	18.1	8,656,766	0.5
Subtotal	47,442,604	53,950,333	59,682,775	53,386,370	56,016,198	4.9	55,175,069	-1.5
Aid to Locals								
Special City/County	78,610,040	94,272,056	103,120,671	108,415,214	113,993,497	5.1	117,369,000	3.0
Other	6,347,529	7,392,066	7,698,249	7,017,806	12,194,761	73.8	10,550,660	-13.5
Subtotal	84,957,569	101,664,122	110,818,920	115,433,020	126,188,258	9.3	127,919,660	1.4
Claims	556,591	295,922	639,292	169,783	200,000	17.8	200,000	0.0
Project Cost								
Design/Appr. Contracts	3,585,217	14,214,452	17,902,553	10,468,896	9,012,000	-13.9	5,012,000	-44.4
Inspection Contracts	0	0	351,487	1,443,190	1,610,000	11.6	4,400,000	173.3
State Projects	129,096,375	181,893,244	175,686,123	258,708,959	361,331,584	39.7	477,142,000	32.1
Local Projects	57,701,990	55,500,871	45,152,487	54,044,213	58,380,400	8.0	58,380,400	0.0
Buildings	1,711,116	3,640,785	3,374,653	1,411,472	2,701,071	91.4	2,044,149	-24.3
Debt Service	21,552,128	21,540,936	21,556,019	133,027,928	27,021,341	-79.7	43,561,482	61.2
Substantial Maintenance	46,803,000	69,712,730	69,063,015	68,680,385	74,120,000	7.9	78,377,000	5.7
Subtotal	260,449,826	346,503,018	333,086,337	527,785,043	534,176,396	1.2	668,917,031	25.2
Subtotal	476,928,268	596,756,428	605,661,712	801,037,807	825,992,932	3.1	966,197,479	17.0
Less Bonds	0	0	0	108,204,592	195,697,720	80.9	289,902,285	48.1
Total	\$476,928,268	\$596,756,428	\$605,661,712	\$692,833,215	\$630,295,212	-9.0	\$676,295,194	7.3

* Less Travel

	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
Authorized Full Time Employees	3140.0	3276.0	3293.0	3293.0	3308.0	3308.0

KANSAS DEPARTMENT OF TRANSPORTATION

Attachment No. 2

VARIANCE COMPARISON

	FY 1990 OVER FY 1989		FY 1991 OVER FY 1990		FY 1992 OVER FY 1991		FY 1993 OVER FY 1992		FY 1994 OVER FY 1993	
	\$	%	\$	%	\$	%	\$	%	\$	%
Agency Operations										
Salaries										
Base	9,305,588	11.6	6,230,980	6.9	3,564,714	3.7	3,133,858	3.1	3,445,448	3.4
Overtime	1,122,358	49.1	366,368	10.8	(552,148)	-14.6	1,286,973	39.9	424,054	9.4
Part-time	393,409	48.3	494,007	40.9	(183,363)	-10.8	727,658	47.9	704,137	31.4
Subtotal	10,821,355	13.0	7,091,355	7.5	2,829,203	2.8	5,148,489	4.9	4,573,639	4.2
OOE										
Data Systems Op.	(224,797)	-26.8	213,108	34.8	247,103	29.9	264,776	24.7	296,494	22.2
Data Systems Dev.	1,628,149	4167.7	2,141,058	128.4	(3,427,110)	-90.0	(181,163)	-47.5	665,000	332.5
Maint.(200 & 300's)*	2,330,075	9.1	374,091	1.3	(985,150)	-3.5	3,588,381	13.2	775,256	2.5
Contract Maint.	218,119	N/A	1,086,924	498.3	3,272,345	250.7	(4,577,388)	-100.0	0	N/A
Travel	182,261	15.0	192,254	13.7	142,051	8.9	390,308	22.5	216,455	10.2
Capital Outlay	2,509,197	19.5	1,954,155	12.7	(6,261,885)	-36.2	1,825,327	16.5	(2,836,228)	-22.0
Other	(135,275)	-1.9	(229,148)	-3.4	716,241	10.9	1,319,587	18.1	41,894	0.5
Subtotal	6,507,729	13.7	5,732,442	10.6	(6,296,405)	-10.5	2,629,828	4.9	(841,129)	-1.5
Aid to Locals										
Special City/County	15,662,016	19.9	8,848,615	9.4	5,294,543	5.1	5,578,283	5.1	3,375,503	3.0
Other	1,044,537	16.5	306,183	4.1	(680,443)	-8.8	5,176,955	73.8	(1,644,101)	-13.5
Subtotal	16,706,553	19.7	9,154,798	9.0	4,614,100	4.2	10,755,238	9.3	1,731,402	1.4
Claims	(260,669)	-46.8	343,370	116.0	(469,509)	-73.4	30,217	17.8	0	0.0
Project Cost										
Design/Appr. Contracts	10,629,235	296.5	3,688,101	25.9	(7,433,657)	-41.5	(1,456,896)	-13.9	(4,000,000)	-44.4
Inspection Contracts	0	N/A	351,487	N/A	1,091,703	310.6	166,810	11.6	2,790,000	173.3
State Projects	52,796,869	40.9	(6,207,121)	-3.4	83,022,836	47.3	102,622,625	39.7	115,810,416	32.
Local Projects	(2,201,119)	-3.8	(10,348,384)	-18.6	8,891,726	19.7	4,336,187	8.0	0	0.0
Buildings	1,929,669	112.8	(266,132)	-7.3	(1,963,181)	-58.2	1,289,599	91.4	(656,922)	-24.3
Debt Service	(11,192)	-0.1	15,083	0.1	111,471,909	517.1	(106,006,587)	-79.7	16,540,141	61.2
Substantial Maintenance	22,909,730	48.9	(649,715)	-0.9	(382,630)	-0.6	5,439,615	7.9	4,257,000	5.7
Subtotal	86,053,192	33.0	(13,416,681)	-3.9	194,698,706	58.5	6,391,353	1.2	134,740,635	25.2
Subtotal	119,828,160	25.1	8,905,284	1.5	195,376,095	32.3	24,955,125	3.1	140,204,547	17.0
Less Bonds	0	N/A	0	N/A	108,204,592	N/A	87,493,128	80.9	94,204,565	48.1
Total	119,828,160	25.1	8,905,284	1.5	87,171,503	14.4	(62,538,003)	-9.0	45,999,982	7.3

* Less Travel

	FY90/FY89	FY91/FY90	FY92/FY91	FY93/FY92	FY94/FY93
Authorized Full Time Employees	136	17	0	15	0



KANSAS

Joan Finney
Governor

DEPARTMENT OF COMMERCE & HOUSING

Bob Knight
Secretary

PRESENTATION FOR
HOUSE APPROPRIATIONS COMMITTEE

KANSAS STATE LEGISLATURE

JANUARY 21, 1993

Bob Knight, Secretary

Madam Chairwoman and members of the Committee.

Thank you for this opportunity to review our 1994 Budget Request with the entire Appropriations Committee.

The chair has asked me to make a brief overview of the agency's FY 1994 budget request to identify any problems in the current year. We will review any unusual increases and decreases in the past five years. I am also pleased to tell you what areas will receive emphasis and how that will be achieved. I will address cost effectiveness of our programs and public expectation of our agency and how we will work to improve services.

I came to the Department in early October after completion of this budget request. After reviewing the programs and operations of the seven divisions, I find it encompasses what we ought to be doing in this agency in order to serve the needs of our constituents and to further the economic development of Kansas.

The Governor's recommendation continues most programmatic functions, and includes a few new features and some cutbacks.

The net reduction of \$1.2 million is largely accounted for in the federal funds area. Our estimate for the Home housing program funding is reduced by \$2.7 million. Oil overcharge funds for housing

weatherization is no longer available so reduces the budget request by \$1.6 million. The Community Development Block Grant allocation has increased by \$1.6 million to a total of \$17.6 million for FY 1994.

The Governor recommends one-time funding of the loan guarantee fund for the Kansas Basic Enterprise Loan program which was approved in statute in 1989 but never capitalized. This program can be an important financial resource to small business for growth and expansion. Loans will be between \$20,000 and \$200,000 through this program operated by the Kansas Development Finance Authority which will issue bonds for loans guaranteed by this fund.

Trade Show Assistance Program Grants are increased by \$55,000 to \$275,000. Tourism Attraction Development Grants are funded at \$250,000, a reduction of \$400,000.

The request includes the addition of a procurement and contracting officer (attorney) as a contracted position. This is the agency's top priority in our new budget because of the substantial inefficiency of many staff persons working on procurement and contracts without the experience and knowledge base to assure efficiency or the best interests of the agency in drafting new contracts. A good deal of program staff time can be returned to their primary responsibilities.

The addition of one FTE is recommended in the Low Income Housing Tax Credit Program (\$32,000; fee funded) to comply with new monitoring requirements.

There are no budget problems in the current fiscal year; things are running relatively smoothly.

We will have some revised federal housing grant expenditure estimates for our sub-committee based on changing directives in federal regulation.

The entire Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) program appropriation was requested by the end of the first quarter this year, so unmet needs are substantial for this popular and important resource.

I will in a moment ask Carole Morgan to review the past five year changes with you.

Because of the diversity of functions within the Department of Commerce & Housing there are many areas we must emphasize simultaneously. (See Attachment 4)

I will give you information on the cost effectiveness of some of our programs and remind you that when we have completed installation

of our management data base we will have far more of this information available for our own use and yours. (See Attachment 5)

We are keenly aware of the need to be responsive to our constituencies because we are uniquely dependent upon their efforts for any successes we can claim. The department does not so much "do" economic development as it facilitates the efforts of local organizations and community officials and of businesses across the state who do create new jobs and sales. We therefore make every effort to keep in continual contact with our constituents. (See Attachment 6)

I will now ask Ms. Morgan, my Deputy Secretary to give you a brief overview of the significant increases and decreases in our budget over the past five years.

Thank you for your time and concern in becoming familiar with our 1994 budget request in its broad aspects. I welcome the opportunity to work with all of you and especially our subcommittee. I will answer any questions you may have now.

Kansas Department of Commerce and Housing

Overview of Fiscal Year 1994 Budget Request

	FY 1993 Gov. Rec'd	FY 1994 Gov. Rec'd
Salaries/Wages	\$4,279,079	\$4,502,381
OOE	\$4,887,619	\$4,753,707
Grants in Aid	\$40,621,731	\$39,255,740
Total	<u>\$49,788,429</u>	<u>\$48,511,828</u>
FTE	114.50	115.50

Funding

SGF	\$2,740,968	\$2,795,553
EDIF	\$8,919,024	\$10,035,305
Fee/Other Funds	\$4,022,266	\$2,886,096
Federal	\$34,106,171	\$32,794,874
Total	<u>\$49,788,429</u>	<u>\$48,511,828</u>

Budget By Division

Administration	\$1,413,372	\$1,353,596
Existing Business	\$1,446,494	\$2,539,759
Trade Development	\$1,787,760	\$1,813,300
Industrial Development	\$4,527,810	\$4,288,718
Travel and Tourism	\$3,115,712	\$2,839,217
Community Development	\$17,815,569	\$19,332,918
Housing	\$19,681,712	\$16,344,320
Total	<u>\$49,788,429</u>	<u>\$48,511,828</u>

PROBLEM AREAS -- CURRENT BUDGET YEAR

The current year is running relatively smoothly and there are few budget problems.

The HOME federal housing program is complex with ever-changing directives from HUD for this new program. Expenditure estimate revisions dependent upon federal regulation are being made and will be submitted in sub-committee.

The entire KIT/KIR work force training appropriation for FY 1993 was requested by the end of the first quarter. All but \$178,00 which is reserved for four new business projects is under contract and there is a request waiting list of unmet demand for this assistance.

Kansas Department of Commerce and Housing

Budget Review of Past five Years

Fund	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993 (Gov. Rec.)
SGF	\$6,582,132	\$8,063,936	\$3,504,271	\$2,180,293	\$2,740,968
EDIF	\$3,608,065	\$2,764,139	\$7,980,644	\$8,071,684	\$8,919,024
Subtotal	\$10,190,198	\$10,828,075	\$11,484,915	\$10,254,172	\$11,659,992
Other/Fee					
Funds	\$551,811	\$652,474	\$729,860	\$930,121	\$4,022,266
Federal					
Funds	\$13,749,972	\$13,027,354	\$16,400,416	\$16,052,678	\$34,106,171
Total					
Exp.	\$24,491,980	\$24,507,903	\$28,615,191	\$27,207,776	\$49,788,429
FTE	102.5	112	114.5	99.5	114.5

SIGNIFICANT INCREASES/DECREASES OVER LAST FIVE YEARS

- 1) FY 1989 to FY 1990 (Net \$638,000 increase in state funds)
 - a) Establishment of Trade Show Assistance Program (\$100,000)
 - b) Increase in funding for Kansas Industrial Training/ Kansas Industrial Retraining Program
 - c) Increase of \$500,000 for contractual services for tourism advertising and promotion
- 2) FY 1991 (Net increase of \$656,000 state funds; \$3.37 million federal funds)
 - a) Increase in federal funds for Community Development Block Grant Program and transfer from SRS of the Housing Assistance - New Construction and Emergency Shelter Programs (\$3.4m.)
 - b) Establishment of Strategic Planning Grants (\$445,000) and Special Development Projects funding (\$250,000)
 - c) The funding balance between SGF and EDIF was reversed in this year.
- 3) FY 1992 (Net decrease \$1.23 million state funds)
 - a) Rural Development Center program abolished (- 4 FTE)
 - b) No funding for Special Development Projects (\$250,000)
 - c) Abolished appropriation and staff for Kansas Partnership Program (- 1 FTE)
 - d) Reduction of \$500,000 in KIT / KIR funding
 - e) Elimination of a total of 15 FTE's department wide
 - f) Reduction of field offices from 8 to 4 with 2 FTE's unfunded (-5 FTE)
- 4) FY 1993 (Net increase \$1.4m. state funds; \$18m. federal funds; Other funds)
 - a) Creation of the new Housing Division accounted for increase of 15 FTE., \$18m. in federal grant funds and \$195,000 SGF.
 - b) Transfer from the Department of Social and Rehabilitative Services of \$1.6m. Oil Overcharge Weatherization funds (other funds category)
 - c) Addition of \$1.2m. SKILL program funding (other funds)
 - d) First time funding of Tourism Attraction Development Grants (\$650,000)
 - e) Field offices expanded to six with six FTE funded.

AREAS OF EMPHASIS FOR THE DEPARTMENT OF COMMERCE AND HOUSING OVER THE NEXT TWO YEARS

- 1) Developing working partnerships with community-based economic development efforts through outreach efforts in all development and assistance programs and through the six field offices.
- 2) Supporting existing business to improve their competitiveness in the global economy through technical and financial assistance, support of Certified Development Companies (CDC's) and Small Business Development Centers (SBDC's) and partnerships with other economic development programs such as MAMTEC.
- 3) Implementation of Tourism 2000 strategic plan to increase domestic travel expenditures by 50%, to further development of Kansas attractions, and to establish a new visitor information center on I-35 near Olathe.
- 4) Continue development of the Housing Division as a full-fledged component of the department and successfully implement the new HOME program.
- 5) Target specific industries and companies to expand the state's export market.
- 6) Establish the "Made in Kansas" promotion to provide Kansas manufactured products recognition through a logo and promotional activity. This program will be kicked off at the "Made in Kansas" Trade Show in April, 1993.
- 7) Attraction of "basic industry" to the state through targeted industry analysis and focused marketing programs.
- 8) Completion of the management tracking data base for department programs which will enable impact analysis and provide access to program information to development partners across the state.
- 9) All of these objectives will be supported by implementation of customer focused quality management techniques to improve service delivery and program design.

COST EFFECTIVENESS OF ECONOMIC DEVELOPMENT PROGRAMS

- ** The Main Street Program leverages \$108 in private investment for every \$1 of state funding and 1 job is created for every \$312 spent.
- ** The Kansas Trade Show Assistance Program yields \$105 in sales for every \$1 spent.
- ** Every \$1 invested in promoting the Kansas Film Industry yields \$60-\$80 return.
- ** The Low Income Housing Tax Credit Program leveraged 1848 units of affordable housing in FY 1992. Since 1987, \$13 million in credits to 120 projects has created over 6000 units, a return of 1 unit for every \$2166 in credit issued which must continue to be available to low income tenants for 30 years (\$72 per unit per year).
- ** During FY 1992 the national marketing section was involved in the attraction of 1097 new jobs resulting in annual payroll of \$14 million dollars. Sales tax and personal income tax derived is estimated at \$1.05 million or \$957 per job. Based on FY 1992 expenditure by the section, the cost per job was \$811. (Additionally, corporate tax, local taxes and "multiplier effects" are realized.)
- ** In FY 1992 trainee cost was \$610 under the KIT/KIR and SKILL programs.
- ** Tourism grant programs leverage \$6 for every \$4 invested in attraction development projects and \$1 for each dollar invested in promotion and trade shows assistance.
- ** Travel information requests increased by nearly 40% in 1992 demonstrating significantly increased impact of promotion efforts.
- ** Venture Capital Tax Credits leverage \$4 of investment for every dollar of tax credit.

PUBLIC EXPECTATION AND PLANS TO IMPROVE SERVICE DURING 1993 AND 1994

1. Managers and staff have conducted "listening tours" in over 50 cities, and will continue to do so to learn what business and community organizations want and need from the department. Program design, technical assistance, referrals to other agencies and financial sources are improved through knowledge gained.
2. Field staff regularly call on businesses, city officials, chambers of commerce and development organizations in their regions to ascertain service needs and desires and to provide technical assistance and information. Improved service depends on information gathered which is conveyed to Topeka staff.
3. Trade division staff continue to conduct "breakfast seminars" around the state to inform businesses of export services and opportunities. They are well attended and yield new export activity.
4. We are planning installation of a toll free number for the First Stop Clearinghouse which serves new businesses with permitting and technical assistance to increase ease of access and heightened awareness of this service.
5. Minority and Women Owned Businesses can significantly increase their business by being certified as eligible for federal procurement set aside programs. Much demand has been expressed for a certification service which we are working to develop.
6. Limited availability of capital, especially for small business seeking to expand, continues to be a problem. The Micro-Enterprise Loan Program has been designed to meet this need and awaits a one-time expenditure to create a revolving loan pool.
7. Business engaged in or entering the export market look to the Trade staff to break new ground for them in international activity, to take some of the risk out of doing business in new countries, and to lend a hand with technical assistance in business matters they do not yet fully understand.

Public Expectation (page 2)

We are meeting this expectation through targeted industry and company assistance, trade show attendance, and trade missions.

8. Community leaders look to the department for technical and organizational assistance which is provided through the Strategic Planning Grant program, the PRIDE program, the Main Street and Enterprise Zone Programs.

9. Financial assistance for business development and expansion is a major expectation of our constituency. It is provided, along with technical assistance, through the CDBG program, Kansas Partnership Revolving Loan Program, work force training programs, trade show assistance, tourism attraction development grants, venture capital companies, certified development companies and small business development centers (the latter are independent organizations supplemented by state appropriations through the department.)

10. Our largest new constituency is community housing providers and developers who seek technical and financial assistance for the development of affordable and accessible housing, funds for housing rehabilitation and weatherization, and shelter for the homeless. These are provided through federal funding in the Housing Division. State housing needs have been assessed through a broadly participatory process in the recent completion of the Comprehensive Housing Assistance Strategy(CHAS). Grant programs are designed to meet the needs determined. Housing assistance information is available through an 800 number service.

11. The public expects us to be proactive in job creation. This is done through the Business Expansion and Retention program, regional industrial group tours, Kansas Cavalry missions, trade show representation, and targeted out-of-state marketing efforts in the Great Lakes region and California.

12. In 1992 the state's Recycling Coordinator provided information and data to 85 Kansas companies and 120 out-of-state companies in the area of market development of post-consumer waste as well as direct assistance to 34 new or expanding waste reduction and recycling operations in the

Public Expectation (page 3)

state. An annual Governor's Conference on Recycling and Waste Reduction is organized and coordinated.

13. Travel industry constituents work in effective partnership with the Travel and Tourism staff to develop and improve attractions, organized tours, regional promotions, and targeted advertising. This partnership has effectively leveraged promotion dollars increasing tourist inquiries by 40% and substantially increasing stops in Kansas through the Linger Longer and Kansas Secrets promotions.

14. Kansans are rapidly coming to expect film crews to be working in the state and filmed in Kansas productions on television due to recent successful efforts to attract several film productions to the state. A large network of local location scouts and an ever-growing inventory of location information has substantially improved film industry activity in the state.

We may have overlooked important activity in this summary. Our staff is made up of dedicated and capable professionals who are attentive to and responsive to our many constituent groups throughout the state.

Designated by Governor Finney as one of the five pilot state agencies, we have begun to implement Kansas Quality Management. Every staff member will have the opportunity to be involved in identifying "customer" needs and continuously improving our products and service delivery. Our developing management data base will substantially enhance our ability to assess program impact and improve our programs. This is a challenge we eagerly accept; one that is appropriate to public service.

**Testimony to the
House Appropriations Committee**

January 21, 1993

By
William G. Brundage
President
Kansas Technology Enterprise Corporation

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I. OVERVIEW OF FY94 BUDGET

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

1/13/93

	FY93 Allocation	Level A	FY 1994 Allocations			GOV Recommendation
			Level B	Level C		
Operations	687,562	809,682	809,682	834,682	749,736	
Centers Peer Review	40,000	0	0	0	0	
Special Projects	286,250	203,000	303,000	323,000	223,000	
Research Equipment Grants	0	0	0	500,000	0	
Training Equipment Grants	150,000	0	150,000	150,000	150,000	
Industrial Liaison	300,000	300,000	300,000	300,000	300,000	
Centers	3,715,000	3,700,000	3,700,663	4,500,000	3,700,663	
SBIR	25,000	25,000	25,000	50,000	25,000	
Matching Grants	1,009,613	1,002,878	1,009,613	1,500,000	1,009,613	
Reapprop. ARM's	114,533					
KTR Database	35,000	15,000	15,000	15,000	15,000	
Commercialization	250,000	250,000	250,000	250,000	250,000	
Industrial Ag	200,000	200,000	250,000	250,000	250,000	
Telecommunications	35,000	0	35,000	125,000	125,000	
Seed Capital	0	0	0	4,000,000	1,500,000	
Total KTEC	6,847,958	6,505,560 (-5%)	6,847,958	12,797,682	8,298,012	
KVAC	622,705	591,613	622,705	691,933	633,887	
MAMTC	1,000,000	950,000	1,000,000	1,000,000	1,000,000	
MAMTC Fed Funds	3,000,000	4,200,000	4,200,000	4,200,000	4,200,000	
Total KTEC, MAMTC, KVAC	11,470,663	12,247,173	12,670,663	18,689,615	14,131,899	

II. DISCUSSION OF PROBLEM AREAS IN CURRENT BUDGET

A. Seed capital

KTEC has developed a system of programs to assist existing businesses that has become the envy of most states. We are currently in the process of developing a comparable environment for entrepreneurs that will better assist them in creating new businesses.

We have learned that technology-related start-up businesses in Kansas have a better chance for success and cost less to create if the entrepreneur takes advantage of KTEC's network of programs. We are now positioning Kansas whereby this could become one of the most attractive states for those who wish to create new technology-based companies. There is, however, one primary limiting factor, and that is "Seed Capital."

Seed Capital is vitally important to Kansas entrepreneurs and small businesses and while it is lacking in most areas in of the country, it is particularly acute in Kansas.

Employment is declining in Kansas' basic industries, especially agriculture. Larger firms throughout the nation are "downsizing." Many jobs are becoming obsolete and few if any will ever return. On the other hand, employment continues to increase in small businesses, especially in the technology-based firms.

We must have a viable environment for start-up ventures because they are the "feeder" system for the job market. As a rule of thumb, six (6) percent of existing jobs are lost each year. Consequently, the creation of new, successful businesses is critical to the economy. In particular, technology-related companies create higher paying jobs and have a greater direct and indirect impact on the economy.

Expansion of existing businesses and encouraging the creation of new firms are the primary sources of job creation.

Providing capital to businesses can sustain and continue to grow Kansas' economic base. Kansas can best address this issue by infusing additional monies into the Ad Astra Fund.

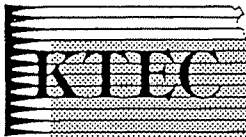
Seed Capital -- Ad Astra Fund

When opportunity knocks, the State of Kansas has to be ready to answer--that's the belief that preceded the creation of the Ad Astra Fund in 1988.

In anticipation, the State appropriated \$1.8 million in seed capital to invest in companies whose technology has broad market appeal and has highly motivated, capable, and dedicated management. Then, in 1988 KTEC formed a limited partnership called the Ad Astra Fund, L.P. Private sector investors were approached, and their investments increased the Ad Astra Fund to \$2.6 million. The management team of Campbell-Becker in Lawrence has administrated the fund since its inception.

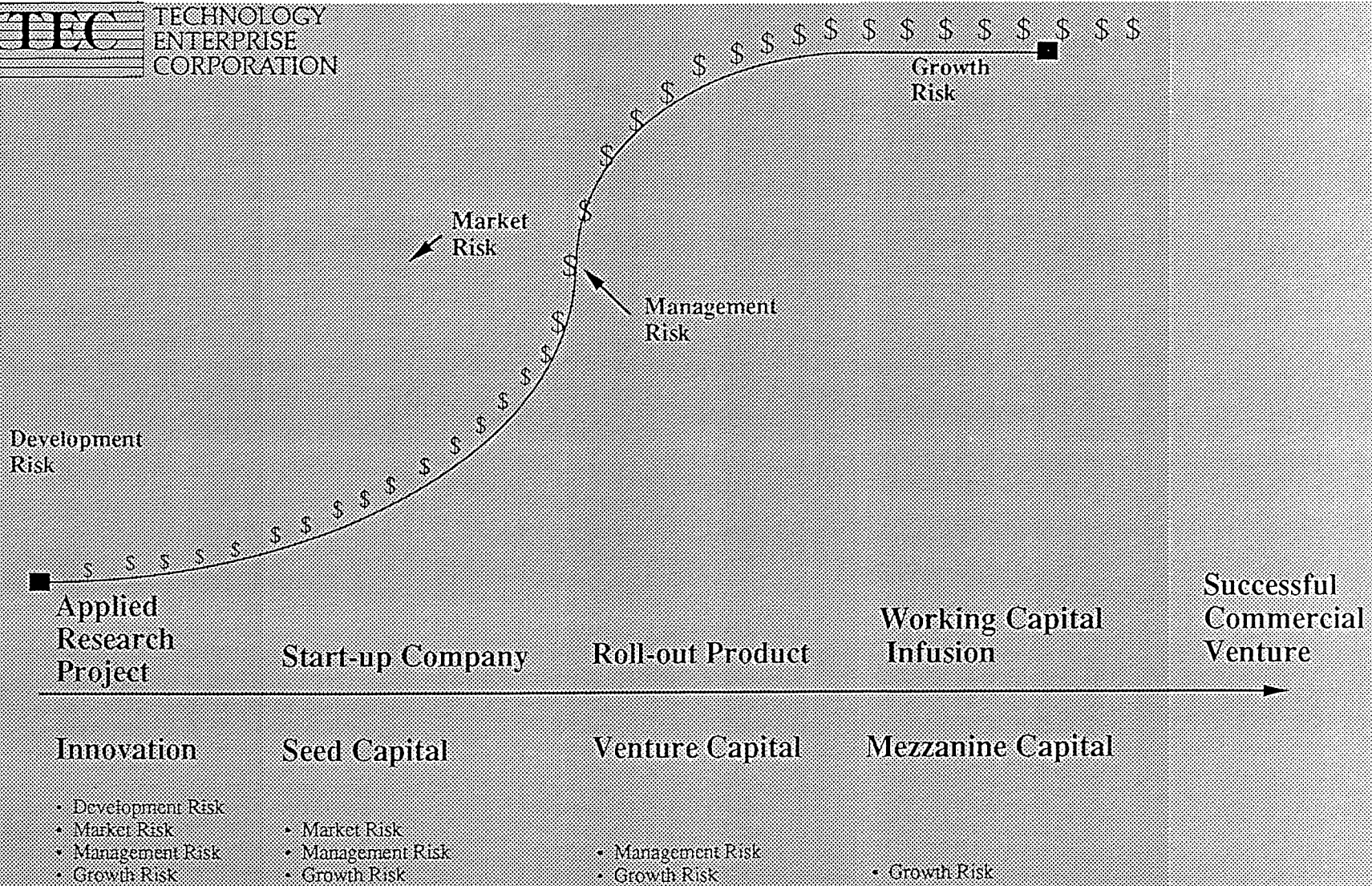
The companies selected for Ad Astra investment include:

- BioCore, Inc., Topeka;
- Crescendo Systems, Inc., Overland Park;
- Cypress Systems, Inc., Lawrence;
- Diagnostics Concepts International, Inc., Shawnee Mission;
- Interactive Concepts, Inc., Lawrence;
- Midwest Superconductivity, Inc., Lawrence;
- Novatech, Inc., Kansas City;
- Oread Laboratories, Inc., Lawrence;
- Sitback Technologies, Inc., Lenexa;
- 3D Biomedical Imaging, Inc., Shawnee.

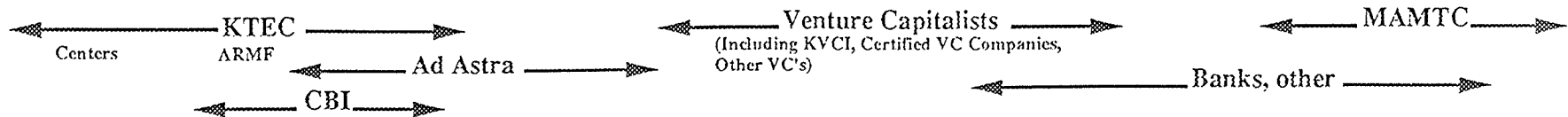


KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION

INVESTMENT



TIME



Start-up technology companies
that participate in KTEC's
network, can:

Decrease Costs

**Increase Chance
for Success**

B. SPECIAL PROJECTS--RECRUITING R & D FIRMS

During the current fiscal year, the State of Kansas has been presented with an opportunity to recruit a significant employer who would locate in the city of Manhattan. This employer needs to locate near a Center of Excellence in manufacturing. Kansas is one of three finalists because of KTEC's Advanced Manufacturing Institute at KSU.

Recruiting such firms requires incentives somewhat different than is normally the case, i.e., training monies, tax abatements, etc. It requires additional investment in a Center of Excellence with an agreement that the Center will include emphasis on certain technology areas that are of importance to a cluster of firms (or an industry).

KTEC has worked closely with the Kansas Department of Commerce on this project. We believe that Kansas is competitive with the other finalists. However, KTEC found it very difficult to make a commitment to this company because of the lack of adequate funds for such a venture. If that company does locate in Kansas, then the monies must come from KTEC's existing programs.

III. UNUSUAL OR LARGE INCREASES IN BUDGET

- A. KTEC receiving \$1 million a year from the state as its primary share (match) for the Mid-America Manufacturing Technology Center (MAMTC).
- B. Centers of Excellence, growth from \$300,000 in FY88 to \$3,715,000 in FY93.
- C. Special Projects, growth from \$27,000 in FY89 to \$286,000 in FY93.

IV. EMPHASIS FOR THE FUTURE

KTEC has devoted its first five years to developing an infrastructure with the capacity for technology economic development. We are now concerned with fine-tuning our network of programs in order to assure a significant impact on the Kansas economy. We will continue to build infrastructure and attend to those management and leadership functions that are required for success.

Substantial progress has been made in assisting existing businesses. We are now concentrating on assisting the entrepreneur and commercializing technologies.

This process requires that KTEC establish what we are calling Innovation Centers around those universities at which we have Centers of Excellence. The Innovation Centers will house pre-incubator and incubator activities and will bring the "tools" of the private sector to the Universities.

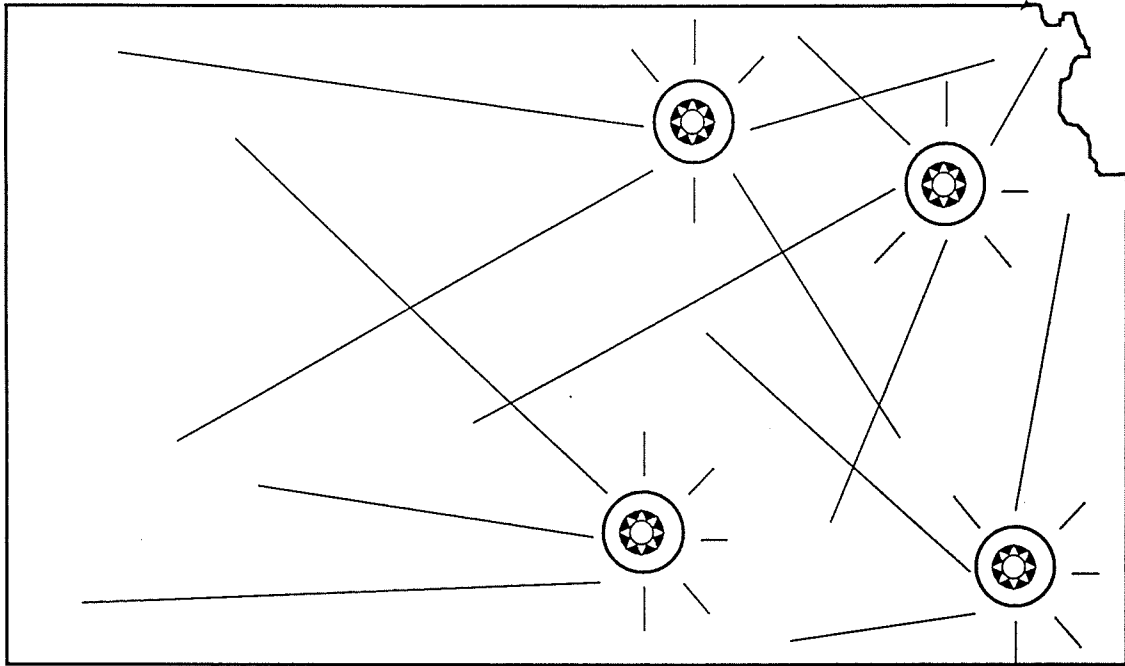
In addition, we are currently discussing with a foundation the possibility of establishing a national entrepreneur program within our Innovation Centers. This will allow us to bring some of the best ideas for new company start-ups to the doorsteps of our institutions of higher learning.


The Innovation Centers also will allow Kansas communities to take advantage of the scientists and engineers as well as specialized equipment and pilot plant capabilities. This commercial emphasis will result in a formal process that should provide the best possible return on investment for the State's technology investment.


The result will be creation of an on-going benefits stream of job creation, technological advancements, exports, capital expenditures, asset growth and tax revenues--all of which will strengthen Kansas' competitive advantage.



Innovation Centers



 Center of Excellence

 Innovation Center

 Extension of Innovation Centers
to other Kansas Communities

V. KTEC'S MOST COST-EFFECTIVE PROGRAMS

Among KTEC's programs, the most cost-effective to date are Operations and Special Projects.

A. Operations

For the typical non-profit corporation, administration costs run 15-18 percent. Administration costs for KTEC run less than 10 percent. KTEC is able to keep administrative costs down because of partnerships with the private sector and the federal government. We leverage our money, and we draw heavily upon the expertise of the many representatives on KTEC's boards and committees. We have 92 different people serving on boards and committees.

B. Special Projects

See Special Projects list following.

Special Projects by Name and Project Number

(This report details the expenses of only those projects considered "grants" or "contracts". It does not reflect funds spent on Other Operating Expenses (OOE) budget items. In addition, it does not reflect the annual expenses of the Kansas State Fair in Hutchinson, nor the contribution KTEC makes to the operation budget of the Governor's Satellite Office in Wichita.)

250001 Candidates for the position of Managing General Partner of \$5,000 the Kansas Seed Capital Fund FY88

KTEC contracted with ExecuSearch, Inc. of Kansas City, Mo. to conduct a national search for a managing general partner for the Kansas Seed Capital Fund, now known as the Ad Astra Fund. The contract period ran from June 6, 1988 through Sept. 30, 1988. The firm submitted 9 candidates, none of whom were selected.

Further advertising and review of applicants was undertaken by the KTEC Board. More than 90 applications were received.

250002 Strategic Plan for Biotechnology Development \$34,401 FY88

In June 1988, KTEC's Board of Directors approved a proposal to develop a strategic plan for biotechnology in Kansas. The board committed \$45,000 from the Special Projects Fund. Ultimately, only \$34,401 was expended.

It appeared that a modest investment in biotechnology research and development by the State of Kansas could be leveraged with significant grants from federal agencies and the private sector. The National Science Foundation and the National Institutes of Health both continue to increase their funding of of biotechnology research. Additionally, it was anticipated that the private sector would invest billions of dollars in the commercialization of biotechnology discoveries. This has proven to be true.

The plan targeted specific areas, and by logically assessing current and potential strengths, establishing goals, and setting priorities, it appeared that Kansas could achieve success.

More than 60 people representing 20 businesses, four universities and three state agencies joined to together in this analysis. Dr. Charles Decedue, then director and senior scientist for the University of Kansas Biochemical Research Laboratory, jointed KTEC as the Biotechnology Program Director and completed the strategic plan in early 1989. The plan is entitled, "Bio-Tech, Ks."

250003	Job Candidate Information System	\$10,000	FY89
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In 1989 KTEC responded to a request by the Silicon Prairie Technology Association to assist them in completing a Job Candidate Information System. The system, based upon existing technology and software currently in use, would assist member businesses, the community, and economic development agencies in identifying workforce for companies wishing to relocate to the Kansas City area.

The system, named "CareerPath", was completed in the Fall of 1989 by Professional Resource Centers in Leawood. KTEC's Executive Committee approved the expenditure from Special Project Fund in June 1989.

250004	Science and Technology Center Proposal to the National Science Foundation	\$5,800	FY89
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In 1989 the Center for Bioanalytical Research (CBAR) in cooperation with other research groups at the University of Kansas sought KTEC's support in preparation of a proposal for a Science and Technology Center. The proposed center National Science Foundation would inject \$3 million into the Kansas economy each year over a five year period. Kansas was not a recipient of the award.

250005	Redwood/Technology Transfer and Industry Liaison Study in Europe to Enhanced Kansas Industry	\$3,000	FY90
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While in Scotland in 1990, Dr. Anthony Redwood of the Institute for Public Policy and Business Research at the University of Kansas committed 25 days to investigate agencies, institutions and programs that contribute to university-industry liaison in Europe. Specifically he sought to identify the broad public policy approach undertaken in the United Kingdom and West Germany. He reviewed the science and technology foundations of the private sectors, the program elements, perceptions of relative effectiveness and the problems and issues as perceived by both policy makers and universities. KTEC agreed to fund these research expenses in advance of special project #250006.

250006	Technology Transfer Study	\$7,000	FY90
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In the spring of 1990 the Institute for Public Policy and Business Research at the University of Kansas completed a lengthy report entitled, "Technology Transfer and Industrial Liaison for Kansas Economic Development". It offered a comprehensive model of technology transfer and higher education-private sector liaison for Kansas economic development, taking into account the nature and characteristics of Kansas industry, the capacity of Kansas higher education, the experience of other states with similar programs, and Kansas' own economic development goals. This study was the basis for KTEC's implementation of the Industrial Liaison program in mid-1990.

250007	Telecommunications Special Project	\$40,571	FY90. FY91
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In 1988 KTEC embarked upon the process of evaluating the need for a statewide teleconferencing network. The envisioned network would make national and international teleconferencing facilities accessible to Kansas researchers and small businesses. The goal was world class technology development and enhanced worldwide marketing efforts.

In August 1989, KTEC's Executive Committee approved \$53,885 from the Special Project Fund for the management of the Kansas Telecommunications Consortium of providers and users. This money would fund preparation of a strategic plan for the state of Kansas and hire a part-time director. The executive committee tentatively earmarked another \$250,000 for future use by the telecommunications consortium.

Initially, four demonstrations stemmed from KTEC's involvement. The first demonstration, held in November 1989 linked Interactive Concepts, Inc., a Lawrence-based software company and the Government of Hong Kong.

The second demonstration occurred with Kansas became the first state in the continental United states to hold legislative hearings by two-way interactive video. The hearings were conducted on February 15, 1991 and connected legislators via two-way interactive video to their constituents in Girard and Ulysses.

The third demonstration was a joint effort between the Department of Economic Development in Oklahoma and the Kansas Telecommunications Consortium. A two-way interactive video teleconference was held between the Mid-America World Trade Center in Wichita and London, England.

The fourth demo connected the Bureau of Information Systems, AT & T, and Compression Labs, Inc., between Wichita and Topeka State agencies to evaluate its application state-wide.

250008 Intellectual Property Rights Program

\$75,910

**FY90.
FY91**

The protection of intellectual property through copyrights, trademarks and patents is a vital concern to innovators. To address this need, KTEC initiated a proposal to develop a comprehensive strategy for assisting innovative Kansans.

In August 1989, KTEC's Executive Committee approved a range of \$68,385 to \$79,885 for hiring a full time director of the program and the program's expenses. Ultimately, \$71,865 was expended to establish this program.

During the summer of 1990, the KTEC Board of Directors committed an additional \$25,000 to the intellectual property effort, specifically for an assistance program called "Invention Development Assist Program". During Fiscal 1990, \$4,044 was expended from the IDAP funds. Thus the Intellectual Property Rights program was funded by \$71,865 plus the \$4,044 for a total of \$75,910.

By February 1991, it was evident that the intellectual property program established by KTEC would spin off and become a subsidiary of KTEC, called the Innovative Technology Enterprise Corporation (ITEC). When this occurred, the balance of the \$25,000 IDAP money was transferred to ITEC for continuation of the IDAP program.

25009 Proposal to NIST for Manufacturing Technology Centers

\$9,000

FY91

A technical writer was employed from August to November, 1990 to assist with drafting the Kansas NIST proposal. The KTEC Board of Directors approved the expenditure from Special Projects at their September 5, 1990 meeting.

250010	Application and Entrepreneurship in the Electronic Heartland	\$2,500	FY91
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The Docking Institute of Public Affairs at Ft. Hays State University solicited \$2,500 from KTEC as a co-sponsor of a proposal submitted to the U.S. Department of Labor. The proposal was to encourage the western Kansas workforce to address the training implications of the information age technology, especially fiber optics, two-way interactive video and telecommunications. Education and training of human resources is essential if effective use of the technology is expected.

Some of the aspects of the proposal promoted delivery of educational programs, applications of telemedicine, job creation through global networking and access to worldwide databases. In addition, the proposal advocated the creation of user groups, cooperatives and support systems designed to facilitate telecommunications in business.

The request was approved by the KTEC Board of Directors at the December 1990 meeting.

250011	Polymer Science Project	\$11,750	FY91
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At their December 1990 meeting the KTEC Board of Directors earmarked \$11,750 from the Special Project Fund for the development of a collaborative polymer plastics research proposal. Participants in the program include, KTEC, the Center for Technology Transfer, Pittsburg State University, and the University of Southern Mississippi. The proposal led to development of a consortium between the two universities toward engineering of plastic prototypes using advanced techniques.

250012	Kansas Quality Improvement Network Plan	\$25,000	FY91
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In December 1990, KTEC's Board of Directors approved a plan to implement the Kansas Quality Information Network (KQIN). Following a six-month planning period, a mechanism will be in place to support a program giving Kansas an international reputation as a source of knowledge and experience in the practice of Total Quality Management.

KTEC will receive identification of at least six locations as regional quality resource centers; a mechanism for support for local areas; identification of customers and their needs in each region; a mechanism for the coordinated flow of information to the central state office; and an organizational structure for KQIN and the best mechanism for coordination of the activities around the state.

250013 Patent Depository Library
250014

\$52,000

FY91

The 1990 Kansas Legislature directed KTEC to recommend to the U.S. Patent and Trademark office a location for the first Kansas Patent Depository Library. Proposals were due in November 1990, with KTEC's Board of Directors making a final decision in January 1991. Kansas' Patent Depository Library will be established at Wichita State University's Ablah Library by late 1991.

KTEC provided \$52,000 from its Special Projects Fund to meet one-half of the one-time expenses necessary for the document collection and related equipment.

Proposals were received from both Wichita State University and Kansas State University. A four-person evaluation team reviewed the proposals, conducted site reviews and established a rating system for the proposals including a review of capabilities, services offered, facilities and operating conditions, user access, linkages to support network and other factors.

250015 - Telecommunications
250019

\$200,000

FY91

The Kansas Telecommunications Consortium has as its goal to demonstrate the benefits of two-way interactive video to Kansas industry--in other words, show businesses how the technology could make them more competitive. The main focus is business-to-business connections through state-wide conferences, business-to-business meetings, and other appropriate means.

Over a two-year trial period, the project would place coder/decoder units (codecs) in as many as 16 locations for use by businesses, KTEC organizations, communities, academic institutions, and hospitals.

Four codecs have been purchased and will be located at the following sites:

Southeast Kansas Education Service Center, Greenbush
University of Kansas Medical Center, Kansas City
Western Area Health Education Service Center, Hays
Advanced Manufacturing Institute, Manhattan.

The funding for the Telecommunications project was approved by the KTEC Board of Directors via conference call on January 15, 1991.

250020	Innovative Technology Enterprise Corporation for the Intellectual Property Rights	\$115,955	FY91
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The activity and interest generated by the Intellectual Property Program has been phenomenal. In addition, the initiative demonstrated by the program's director, provided the KTEC Board of Directors with the plan to make the program a spin-off company and eventually it will be self-supporting. The Innovative Technology Enterprise Corporation became a subsidiary of KTEC in in early 1991.

ITEC's goal is to assist entrepreneurs and inventors in moving new ideas and products into the marketplace.

The KTEC Board approved \$95,000 of Special Projects Fund to establish the new corporation. In addition, the \$20,955 remaining in the Invention Development Assist Program was transferred to ITEC for continuation of that program.

250021	Kansas Association of Inventors Newsletter	\$5,000	FY91
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The Kansas Association of Inventors requested a one-time grant of \$5,000 to assist in the establishment of a monthly or bi-monthly publication. KTEC agreed citing that a publication of this type is an effective means of promoting inventions to manufacturers, promoting chapter meetings and interest, and circulating articles on assistance that might be available to inventors.

250022	National Science Foundation, Experimental Program to Stimulate Competitive Research (EPSCoR)	\$5,000	FY91
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EPSCoR is a program offered to states that have in the past not received much research funding from NSF. KTEC agreed to assist with funding to prepare the initial proposal. The proposal will analyze the current state of science and technology in Kansas.

The EPSCoR planning grant from the Special Projects Fund was approved by the KTEC Board of Directors at its June 1991 meeting.

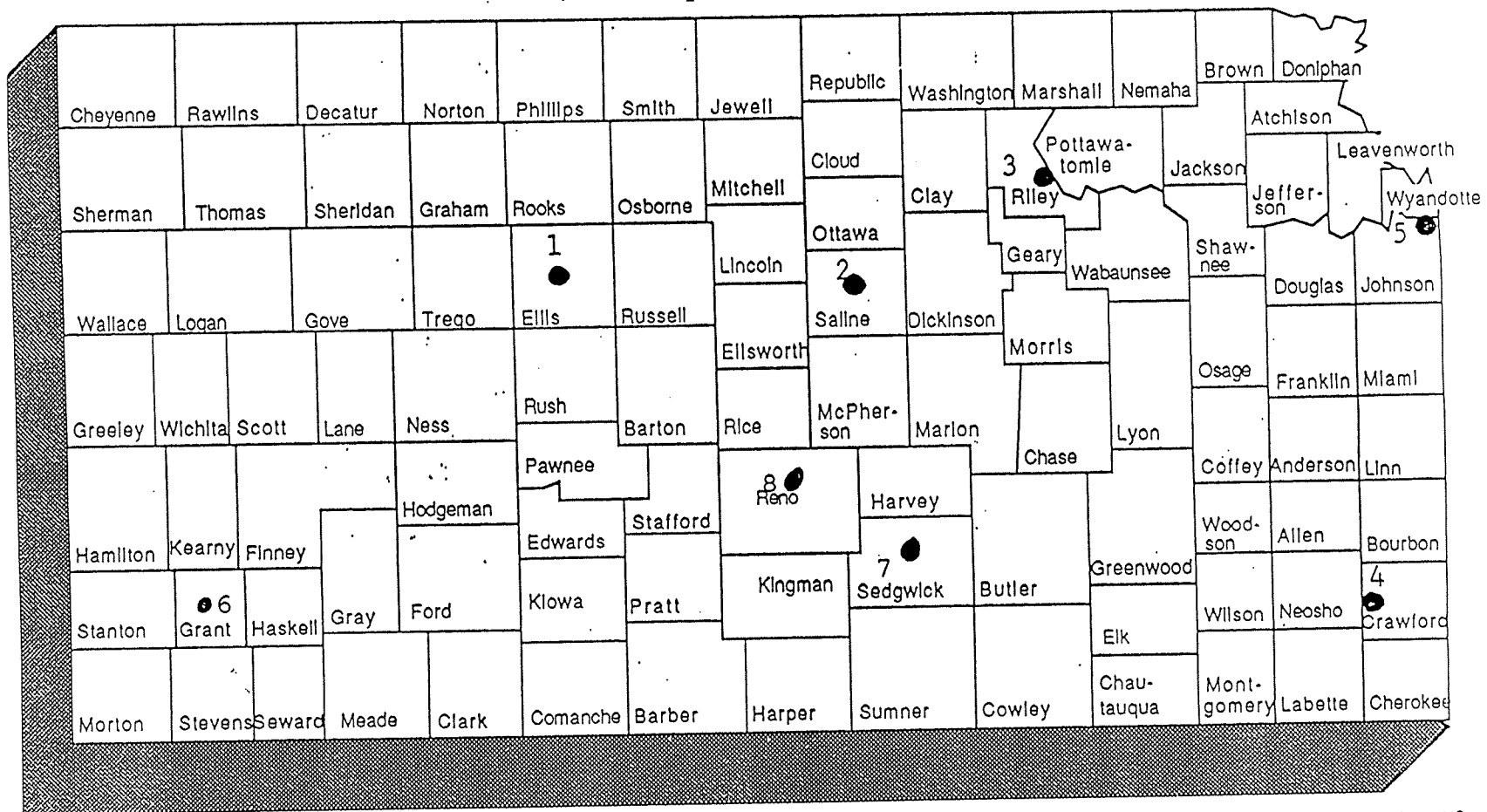
Funding for two grants was actually approved--one each of \$5,000 to come out of FY 91 and FY 92 Special Projects Fund.

250023	Mid-America Manufacturing Technology Center	\$58,069	FY91
	<p>In November 1990 KTEC submitted a proposal to establish a Manufacturing Technology Center with a grant from the National Institute of Standards and Technology, an arm of the U.S. Department of Commerce.</p> <p>In February 1991, Kansas became a finalist for the award, and in March, KTEC was notified that it had been named a recipient of \$12.9 million award over the next six years.</p> <p>KTEC's commitment to this project included \$100,000 from the Special Projects Fund in addition to other in-kind match through its programs and services.</p>		
250024	National Science Foundation, Experimental Program to Stimulate Competitive Research (EPSCoR)	\$5,000	FY92
	<p>This commitment from the Special Project Fund is a continuation of Project number 250022. The preparation period ends January 1992.</p>		
250025	Public Information Director	\$45,750	FY92
	<p>Individual attends community and civic organization meetings throughout the state, presenting a colorful and dynamic look at KTEC.</p>		
250026	Kansas Inc.	\$25,000	FY92
	<p>The National Association of State Development Agencies (NASDA), of Washington, D.C., was selected by the Governor and Kansas Inc. to conduct KTEC's evaluation.</p>		
250027	Industrial Agriculture	\$100,000	FY92
	<p>Expanded opportunities for agricultural resources through new technology, processing or manufacturing are the focus of this special project.</p>		
250028	Commercialization	\$100,000	FY92
	<p>Establishing the network necessary to move technologies quickly and efficiently from the Centers to the marketplace.</p>		
250029	Innovative Technology Enterprise Corporation	\$50,000	FY92
	<p>On-going funding of KTEC's subsidiary.</p>		

250030	National Science Foundation, Experimental Program to Stimulate Competitive Research (EPSCoR)	\$5,500	FY92
	Phase II proposal preparation to seek additional monies from the National Science Foundation for Kansas Researchers.		
250031	Kansas Quality Improvement network	\$30,000	FY92
	Establishment of a network designed to assist Kansas businesses and MAMTC in quality improvement initiatives.		
250032	Kansas Association of Inventors	\$8,500	FY92
	KTEC assisted in funding a new educational program for entrepreneurs entitled, "At the Crossroads."		
250034- 250035	Telecommunications	\$70,000	FY92
	Coder/decoder units purchased and installed at the Media Resources Center, Wichita State University; Southwest Plains Regional Service Center, Ulysses; a third site at Hutchinson Community College was recommended FY 1993.		

COMPRESSED VIDEO NETWORK

KTEC, January 1993



1. Western Area Health Education Center
2. Kansas College of Technology
3. Advanced Manufacturing Institute
4. Southeast Kansas Education Center
5. University of Kansas Medical Center

6. High Southwest Plains Network, Ulysses
7. Wichita State University, Wichita
8. Hutchinson Community College, Hutchinson

VI. WHAT DOES THE PUBLIC EXPECT?

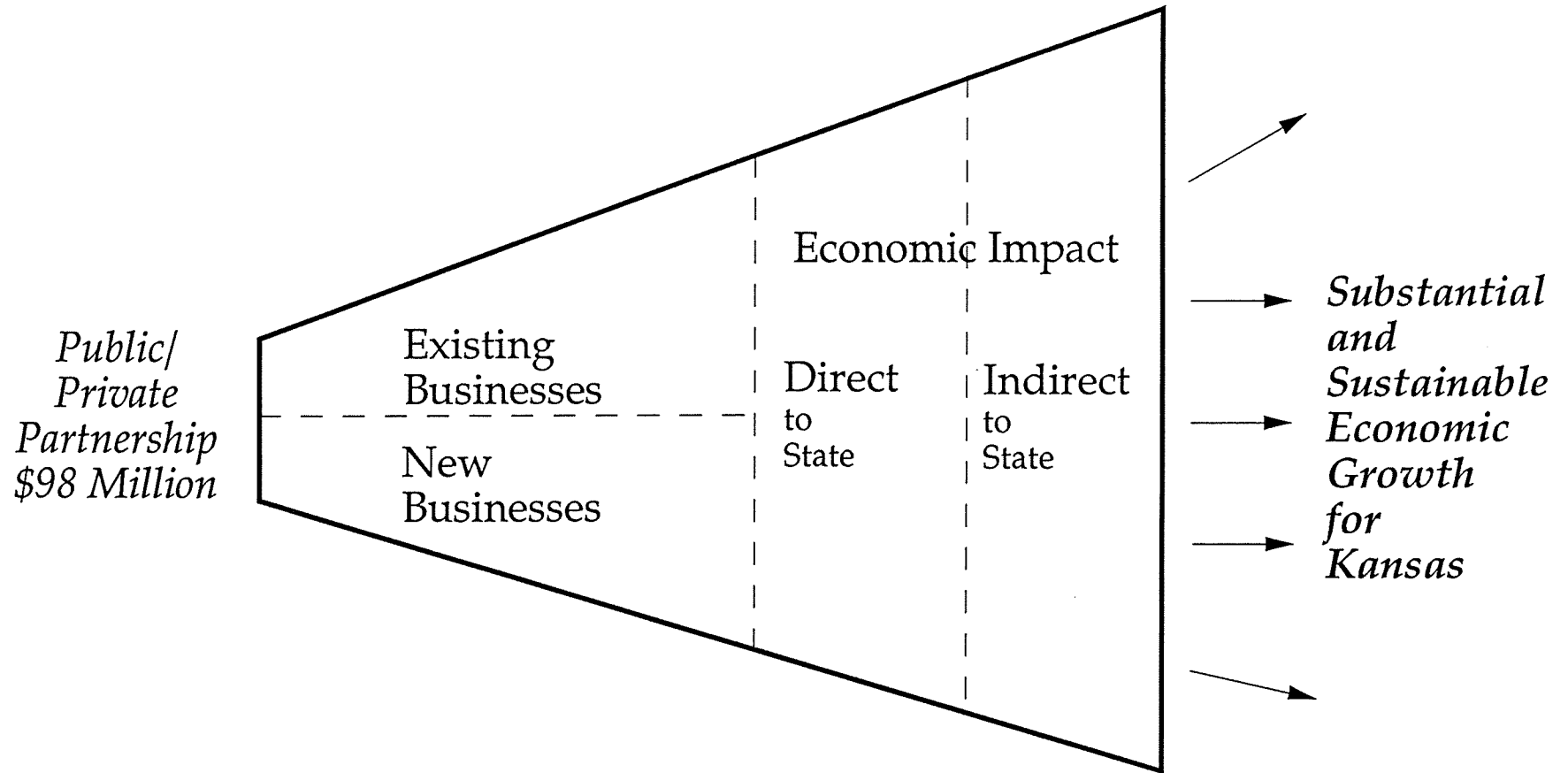
The public expects KTEC to assist existing businesses and entrepreneurs in starting new ventures. They expect substantial and sustainable economic growth from KTEC's efforts. Currently we have contracted with the Institute for Public Policy and Research at the University of Kansas for the development of a Return on Public Investment program (ROPI). This program will be available in December 1993. It will be utilized by the State to determine the direct and indirect impact KTEC has on our economy.

KTEC will improve its services and performance by continuing to fine-tune its family of programs. A total quality management system will continue to be an on-going process which will be driven by those requirements imposed by ROPI.

Leverage of State's Investment through KTEC

Lottery EDIF	Leverage	Industry Federal	Total Economic Development
\$30.5 M.	→	\$67.5 M.	→ \$98 M.

KTEC Is An Investment Not An Expenditure.



VI. SUMMARY

The economic future of a state or a nation is dependent upon a firm foundation of science and engineering. KTEC is developing that foundation and is assuring our state's participation in the global economy.

Testimony

House Appropriations Committee
January 21, 1993

Kansas Inc. Budget

Charles R. Warren, President

1. Brief Overview of the FY 1994 Budget Request

Kansas Inc. concurs with the Governor's recommendations. The FY 1994 budget request totals \$1,940,101. Of this total, \$1.5 million is the state's matching share of the National Science Foundation grant to Kansas for the Experimental Program to Stimulate Competitive Research (EPSCOR). The remainder of \$440,101 is for salaries, operations and research of Kansas Inc. Of this amount, \$188,873 is from the State General Fund; \$105,995 is from the EDIF; and \$145,233 is to be raised from private sector contributions. By statute the state provides 67 percent of the Kansas Inc. budget (FY94 - \$294,868) and the private sector provides 33 percent (FY94 - \$145,233).

The FY93 Budget for Kansas Inc. alone is adjusted at \$430,428. The FY92 actual expenditures were \$476,630.

Almost exactly one-half of the Kansas Inc. budget \$220,526 is salaries and wages with 4.5 FTE. Operating expenses are \$75,100. Capital Outlay is estimated at \$7,937 for purchase of a copier machine and new personal computer. The research budget is \$130,538.

The FY94 budget reflects no significant increases in expenditures or changes in agency operations. In FY93 and FY94, Kansas Inc. has been replacing its obsolete office equipment and computers, all of which were purchased in 1987. No staffing changes are anticipated.

2. Identification of Problem Areas - FY 1993 or FY 1994 Budget

No significant problem areas exist in the FY 93 or FY 94 budgets. Kansas Inc. confronts the annual challenge of raising private sector funds to match the state dollars. There is annual difficulty of cash flow because of the funding arrangement and the resulting necessity to delay certain expenditures until the end of the fiscal year when annual fund raising is completed.

3. Discussion of Unusual or Large Increases

The Kansas Inc. annual operating budget has remained stable or declined in recent years. The unusual increase of \$1.5 million took place in FY 1993 with the decision by the Governor and the Legislature to fund the NSF EPSCoR program for the Regents Universities through Kansas Inc. Kansas Inc. has established the Kansas Science and Technology Council to oversee the program and provide advice to the Governor and Legislature on science and technology policy. Attached is a chart showing the Kansas Inc. budget, without EPSCoR, with a breakdown of state and private funds, for the Fiscal Years 1989 through 1994.

4. Agency Emphasis and Goal Accomplishment

In FY93, Kansas Inc. will have completed the preparation of A "Vision" for Kansas and a new economic development strategy. The strategy will be completed and announced in February 1993. The remainder of the fiscal year and FY94 will focus on implementing the strategy through action planning by state agencies, regional and local economic development entities, and the private sector. In addition, Kansas Inc. will undertake to develop a system of "benchmarks" to measure progress toward strategy goals and objectives on a long-term basis. In coming months, our primary effort will be to educate the public and the leadership of Kansas on the new strategy and to build a consensus for its achievement.

Attached for your information is an outline of Kansas Inc. accomplishments and activities for calendar year 1992.

5. Cost Effective Current/Proposed Programs

Kansas Inc.'s strategic planning program, its research activities, and its participation in public/private forums have been very effective. Because of the shared commitment of the private sector and the extensive participation of private sector leaders, Kansas Inc.'s advisory and planning role has been extremely cost-effective.

6. Public Expectations and Service Improvements

Kansas Inc. is expected to provide strategic planning, research and evaluation on an independent and objective basis to the leadership of Kansas through its Board of Directors, working directly with the Office of the Governor, the Legislature and the business community. Now that a coherent and explicit strategy for economic development has been developed, the task assigned to Kansas Inc. will be performed with greater effectiveness. Because of the strategy our role will become much more focused and directed toward achievement of stated goals and objectives.

**Kansas Inc. Staff Activities
January 1992 to December 1992**

I. Kansas Inc. Board of Directors:

- A. Board of Directors, Kansas Inc. Meetings:
January, March, May, December
- B. Produced Kansas Inc. 1992 Annual Report

II. Kansas Inc. Strategic Planning:

- A. Conducted 5 vision workshops in Pittsburg, Wichita, Ness City, Salina and Johnson County, and held Vision congress in Topeka to produce a Vision statement with the participation of over 180 Kansas citizens.
- B. Produced Video on "A Vision for 21st Century Kansas" with assistance from Western Resources, Inc. and WIBW-TV.
- C. Commissioned and managed the completion of 10 strategic planning research reports from the Regents universities and the State Board of Agriculture.
- D. Conducted Meetings of Strategic Planning Committee in August, September, October, and December.
- E. Conducted Meetings of Professional Advisory Task Force in September, October, and December.
- F. Prepared draft final report of "The 1993 Strategy for Kansas Economic Development."

III. Science and Technology, EPSCoR.

- A. Established fiscal and administrative arrangements for NSF-EPSCoR grant to the state's three research universities.
- B. Participated in National Science Foundation workshop in Washington, D.C. on the educational State Systemic Initiative and EPSCoR.
- C. Participated in Faculty Advisory Committee meetings for EPSCoR.
- D. Organized and established membership of the new Kansas Science and Technology Council and held initial meeting in December.

IV. The Kansas Legislature

- A. 1992 Legislative testimony on KTEC Evaluation, KDOCH Evaluation, oil and gas, and taxation.
- B. Conducted Analysis of School Finance Tax Plan through contract with IPPBR, University of Kansas for House and Senate Tax Committees and Legislative leadership.
- C. Interim Tax Committee
 - 1. Testified in August on Oil and Gas Study.
 - 2. Moderated panel of business in September on Tax Competitiveness.
 - 3. Assisted in preparation of staff memorandum in October on property tax abatement.
- D. Joint Committee on Economic Development
 - Attended committee meetings in July, August, October, November, and December. Testified on community strategic planning grants and strategic planning.

V. Kansas Public and Private Boards of Directors

- A. Served as vice chairman and member of the Information Network of Kansas, attending monthly board meetings.
- B. Served as member of the Wichita Chamber Board of Directors, attending monthly board meetings and annual retreat.
- C. Served as member of the Board of the Kansas Industrial Developers Association, attending periodic meetings.

VI. Special Commissions/Task Forces

- A. Chaired the Natural Gas Task Force of the Governor's Energy Policy Committee, hosted several monthly meetings, and drafted final report.
- B. Staffed the Commission on Natural Gas Policy established by the 1992 Legislature including organizing several monthly meetings and assisting in the final report.
- C. Participated in the mid-year meeting of the Interstate Oil and Gas Compact Commission in Wichita, Kansas.
- D. Served as member of the "Creating Tomorrow," Regents Task Force on Economic Development.
- E. Served as member, KCCI Task Force on Taxation.
- F. Served as member, KCCI Task Force on Government Spending.

- G. Served as member of the Kansas Rural Development Council, appointed by Governor, and chaired the selection committee for the new KRDC Executive Director.
- H. Served as convener of the Economic Development Coordinating Council, an interagency forum.
- I. Chaired the Community Strategic Planning Grants Committee recommend the award of \$400,000 in planning and action grants to local applicants.
- J. Served as a member of the Southwestern Bell Economic Excellence Grants Committee.
- K. Served on Educational Excellence Grants Committee, State Department of Education.

VII. Other Activities.

- A. Conducted Team building and organizational training for Division of Housing, KDOCH.
- B. Presentation to KDOCH Senior Management Retreat, Emporia.
- C. Assisted KAW River Valley Planning Task Force with Governor's Office.
- D. Provided Strategic Planning assistance to SE Kansas Consortium of Community Colleges.
- E. Participated in Salina Allies Day Economic Development Tour.
- F. Organized workshop for Rural Schools proposal.
- G. Participated in Wichita Assembly on Local Government, preparing paper for publication and presentation to conference participants on metropolitan government.
- H. Participated in Business Appreciation Day, McPherson.
- I. Co-sponsored KU Annual Economic Outlook Conference and hosted Pre-conference Dinner for Speakers and guests.

VIII. National Conferences and Workshops

- A. Speaker, Panel on Rural Development, NCSL, Kansas City, MO.
- B. Speaker, Southern Growth Policies Board, Nashville, Tenn.
- C. Participant, NCSL Annual Meeting, Cincinnati

- D. Participant, Jobs For The Future, State Workshops, Cambridge, MA., January, June, and August.
- E. State Economic Development Conference, Indianapolis, Indiana Economic Development Council.
- F. Participant, National Alliance of Business Conference on Workforce Training. Miami, Florida.
- G. Participant, Minnesota State and Local Economic Development Strategy Summit, Minneapolis.
- H. Participant, KIOGA Annual Meeting

IX. Speeches and Presentations to Kansas communities and groups:

- A. "School Consolidation," Kansas State Board of Education, and Association of Kansas School Administrators.
- B. Rice County Economic Development Council Annual Meeting.
- C. KIDA Spring Meeting.
- D. Garden City Leadership Class.
- E. Dodge City Leadership Class Banquet.
- F. KU/KSU Community Development Conference, Emporia.
- G. Kansas Alliance for Literacy, Salina.
- H. Manhattan Rotary Club.
- I. Lawrence Chamber of Commerce.
- J. Montgomery County Action Council, Independence.
- K. NE Kansas Industrial Tour, Kansas City, Kansas.
- L. Kansas League of Municipalities, Wichita, annual meeting.
- M. Technology Council, Pittsburgh State University.
- N. KCCI, Committee on Environment and Natural Resources.
- O. Ottawa Franklin County Economic Development Council, annual meeting.
- P. KCCI, Economic Development Committee.
- Q. Legislative Issues Forum, WI/SE Manufacturers, Wichita.
- R. Salina Lions Club

Kansas Inc. Budget

(Nominal Dollars: Actual FY1989 to Governor's Recommendations FY1994)

