

Approved: 1-28-93
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Wanda Fuller at 3:30 p.m. on January 27, 1993 in Room 423-S of the Capitol.

All members were present except:

Representative George Dean, excused
Representative Carol Sader, excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:

Bob Knight, Secretary, Department of Commerce and Housing
Bill Thompson, Director, Department of Commerce and Housing
Cal Lantis, Director, Department of Commerce and Housing
Marty Miller, Director, Department of Commerce and Housing
Dennis Shockley, Undersecretary, Dept. of Commerce and Housing
Carol Morgan, Deputy Secretary, Dept. of Commerce and Housing
Jim Beckley, Director, Dept. of Commerce and Housing

Others attending: See attached list

The Chair called on Bob Knight, Secretary of the Department of Commerce and Housing who presented an overview of the department. He stated the vision for the Department of Commerce and Housing was to make Kansas the nation's most liveable state, recognized for a progressive business climate, globally competitive businesses, real per capita income growth and an educational system which prepares Kansas to be a leader in the world economy. (Attachment 1)

He next presented a graph that showed the structure of the Department of Commerce and Housing (Attachment 2) and called on the Director of each division to give an outline of the functional responsibilities of their division.. (Attachment 3)

Following these presentations, Secretary Knight called upon Jim Beckley, Director of the Trade Development Division of the Department of Commerce and Housing. He stated Kansas does not need to take a back seat to anyone when it comes to the development of new markets for our goods and services, however, we must not rest on what we have accomplished in the past, but forge ahead into new and untested territory for the future. This report is on file in the office of the Legislative Research Department.

The conferees stood for questions from the committee.

The Chair distributed copies of the Governor's Budget Report addressing Gaming Revenues and Economic Development Initiatives Fund and asked the committee to review it before the Thursday meeting when Gloria Timmer, Director, Division of Budget, will address the committee and present the Governor's recommendations. (Attachment 4)

The meeting adjourned at 4:40 p.m.

The next meeting is scheduled for January 28, 1993.

GUEST LIST

COMMITTEE: Economic Development DATE: 1-27-73

[illegible]

Overview of the

Kansas Department of Commerce & Housing

Bob Knight, Secretary

before the

House Economic Development Committee

January 27, 1993

January 27, 1993
Economic Development
Attachment 1

Madam Chair and members of the Committee.

Thank you for this opportunity to become acquainted - you with the Department of Commerce & Housing and we with the Committee on Economic Development.

We will give you a brief overview of the department and answer your questions.

According to K.S.A. 74-5005, the Department of Commerce and Housing shall be the lead agency for the state for economic development of commerce through this promotion of business, industry, trade and tourism within the state.

We take that charge very seriously. And we treat it, and our duties, with respect.

There exist many avenues with which to grow the state economically. Some are special programs created for special needs through federal or state legislation. Others have come about through partnerships with many sorts of economic development factions. All are in a constant process of monitoring and improvement.

You will be hearing specifics about many of our programs in just a moment. I would also refer you to our 1992 Annual Report

which you should have received, for details on our accomplishments during the last fiscal year. Let me give you a general idea, though, of who we are, how we operate, and what we hope to accomplish. We have prepared a functional organization chart and an outline of each division's program activities for your information.

The Kansas Department of Commerce and Housing has approximately 124 full- and part-time employees in our main office in Topeka, six Kansas field offices in Wichita, Garden City, Manhattan, Lawrence, Pittsburg, and Hill City; and Visitor Information Centers in Goodland, South Haven and the Kansas City area. We also, through special contractual arrangement, have a Kansas representative in several overseas regions, in the west coast and the Great Lakes regions.

Our budget this year is approximately \$49.8 million, of which \$11.6 million is received from state funds and \$38.2 million from federal and other funding.

By our services we:

-- assist existing businesses to stay in business.

-- help existing communities to remain viable, liveable, and commercially sound.

-- train and retrain competitive, skilled workforces.

-- attract new businesses, both domestic and international,
to Kansas.

-- market Kansas goods and services to both domestic and
international customers.

-- promote Kansas as a desirable tourism destination.

-- encourage and assist the making of feature-length,
documentary and commercial films in the State.

-- work to provide every Kansan the opportunity for safe,
clean, affordable, energy-efficient housing.

Several months ago, we began a process of total quality management as one of five state pilot agencies designated by Governor Joan Finney in her January, 1992, Executive Order which established Kansas Quality Management. Although we are only in the preliminary stages, our staff is already working on a vision statement to express our agency goal. I'd like to share the working draft of that vision statement with you:

"Our vision is to make Kansas the nation's most liveable state, recognized for a progressive business climate, globally competitive businesses, real per capita income growth, and an

educational system which prepares Kansas to be a leader in the world economy."

I think that says a lot about the competence and dedication of our staff, and of our commitment to the state of Kansas.

Our activities are carried out through seven operating divisions each of which has a director. I would like to introduce these managers to you now.

- * The Industrial Development Director is Bill Thompson.

- * The Existing Industry Director is Cal Lantis.

- * Our newest division, which began six months ago was created by Governor Finney's Executive Reorganization Order and affirmed by the Legislature. Dennis Shockley is the Undersecretary for Housing.

- * The Community Development Division Director is the newest addition to our management staff. Marty Miller joined us on January 4 of this year.

- * The Travel and Tourism Director is Greg Gilstrap.

- * Carole Morgan serves as Deputy Secretary and directs the Administrative Division.

Before I introduce our Trade Development Division Director, I want to thank you for this opportunity to give you an overview of our department and a very basic understanding of our mission and activities. I look forward to upcoming opportunities to share additional information with you.

I ask Jim Beckley, our Trade Division Director to give you an overview of the division's activities with specific emphasis on export assistance activities as requested by Chairman Fuller.

KANSAS DEPARTMENT OF COMMERCE & HOUSING

DEPUTY SECRETARY

Carole L. Morgan
(913) 296-3481

SECRETARY OF COMMERCE & HOUSING

Bob Knight
(913) 296-3480

PUBLIC INFORMATION OFFICER

Ruth Maus
(913) 296-2477

ADMINISTRATION DIVISION

(913) 296-3481

MISSION: To serve as a source of service and support for all Divisions within the Department of Commerce.

Major Activities:

Research and Analysis
Fiscal Management/ Accounting
Personnel
Data Systems Management

January 27, 1993
Economic Development
Attachment 2

COMMUNITY DEVELOPMENT DIVISION

Marty Miller
Director
(913) 296-3485

MISSION: To provide grants, loans, and technical assistance to Kansas communities to stimulate and support economic development activity.

Major Activities:

- * Small Cities Community Development Block Grants
- * PRIDE Program
- * Main Street Program
- * Enterprise Zone Program
- * Kansas Partnership Fund
- * Community Strategic Planning

EXISTING INDUSTRY DEVELOPMENT DIVISION

Cal Lantis
Director
(913) 296-5298

MISSION: To promote and encourage the growth, diversification, and retention of business and industry in Kansas.

Major Activities:

- * Small Business Development
- * First Stop Clearinghouse
- * Venture/Seed Capital Programs
- * Business Retention and Expansion Program
- * Liaison with Small Business Development Centers and Certified Development Companies
- * Minority- & Women-owned Business Development
- * Regional Field Offices
- * Kansas Match

INDUSTRIAL DEVELOPMENT DIVISION

Bill Thompson
Director
(913) 296-2652

MISSION: To identify, pursue, and locate out-of-state industrial facilities to Kansas which will add jobs and capital investment to the economic base of the state and its communities.

Major Activities:

- * Domestic Marketing
- * Kansas Cavalry
- * Kansas Industrial Training and Retraining Programs
- * Targeted Marketing Program
- * National Promotion Campaign
- * State of Kansas Investments in Lifelong Learning Program (SKILL)
- * Waste Reduction, Recycling, and Market Development

TRADE DEVELOPMENT DIVISION

Jim Beckley
Director
(913) 296-4027

MISSION: To increase sales of Kansas manufactured products worldwide, thereby creating jobs, bringing new money into the state, and enhancing the growth and expansion of the state's economic base.

Major Activities:

- * Trade, Marketing, and Promotions
- * Export Finance
- * Trade Services
- * International Industrial Development

TRAVEL AND TOURISM DEVELOPMENT DIVISION

Greg Gilstrap
Director
(913) 296-7091

MISSION: To increase the number of visitors to Kansas by promoting the state as a travel opportunity to both Kansans and non-Kansans, and to attract film and video production to the state.

Major Activities:

- * General Promotion
- * Kansas Film Commission
- * Visitor Information Centers
- * Kansas! Magazine
- * Kansas Secrets
- * Special Promotions

HOUSING DIVISION

Dennis Shockley
Undersecretary
(913) 296-2686

MISSION: To provide all Kansans the opportunity to secure decent, safe, affordable, energy efficient housing, to offer appropriate technical assistance and supportive services, and to promote economic development through public/private partnerships.

Major Activities:

- * Community Services Block Grants
- * Comprehensive Housing Affordability Strategy
- * Emergency Shelter Grants
- * Emergency Community Services
- * Home/Hope
- * Housing Hotline
- * Information Clearinghouse
- * Low Income Housing Tax Credits
- * Permanent Housing For The Handicapped Homeless
- * Rental Rehabilitation
- * Section 8 Assistance
- * Section 8 Operation and Maintenance
- * State Housing Trust Fund
- * Weatherization



KANSAS

DEPARTMENT OF COMMERCE & HOUSING

Joan Finney
Governor

Bob Knight
Secretary

OUTLINE OF FUNCTIONAL RESPONSIBILITIES BY DIVISION

prepared for
Kansas State House Economic Development Committee
January 27, 1993

January 27, 1993
Economic Development
Attachment 3

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INDUSTRIAL DEVELOPMENT DIVISION

I. Statutory Overview

Industrial Development Specific

Attract new businesses and industry from outside the State of Kansas and expand the economic diversity of the state's economic tax base. (K.S.A. 74-5007a)

Identify targeted industries and recruit new businesses and industry to the state. (K.S.A. 74-5007b)

Maintain and keep current data relevant to the location and expansion of industries in the state. (K.S.A. 74-5007c)

Assist counties and cities with their industrial development issues. (K.S.A. 74-5007d)

Encourage closed relations between the various economic sectors for the state and the people of Kansas. (K.S.A. 74-5007e)

Administer the Kansas Industrial Training (KIT) and the Kansas Industrial Retraining (KIR) Programs. (K.S.A. 74-5065 et. seq.)

Administer the Waste Reduction, Recycling, and Marketing Development Program. (K.S.A. 74-5087 et. seq.)

Administer the State of Kansas Investments in Life Long Learning (SKILL) Program. (K.S.A. 74-50,102 et. seq.)

II. INDUSTRIAL DEVELOPMENT ACTIVITIES

National Marketing

- Perform research to identify companies in targeted industries. These companies are contacted and provided relevant information about the benefits of locating or expanding businesses in the state.
- In-state industrial tours are sponsored for targeted industries.
- Out-of-state prospecting trips are sponsored in conjunction with the Kansas Cavalry to establish personal and business contacts with business and economic development professionals.
- Regional Marketing offices are established in Chicago, serving the Great Lakes Region, and in Los Angeles, serving the West Coast. These offices provide representation for the department in these key market areas.
- The Community Contact Program provides a means of interaction with local development representatives. Services provided include coordinating in-state industrial tours, escorting industrial prospects on tours, gathering information on local development programs.
- Additional support services include preparing promotional materials for prospect marketing, maintaining database of available industrial sites, developing community profiles, publishing the Developing Kansas Newsletter, and providing targeted industry reports.

Waste Reduction, Recycling, and Marketing

- Provide technical assistance to organizations and businesses engaged in the establishment of new recycling industries in Kansas.
- Sponsor the Governor's Conference on Waste Reduction, Recycling and Marketing.
- Perform marketing studies targeted on the recycling industry.
- Provide assistance to communities in the development and implementation of local recycling and waste stream reduction guidelines.

Industrial Training

- Provide funding through KIT and administer the KIT program to help new and existing firms train new employees for newly created jobs in Kansas.
- Provide funding through KIR and administer the KIR program to help retrain existing employees of companies which are modernizing and incorporating new production technologies.
- Fund large scale projects through SKILL to attract new jobs to Kansas from new and expanding industries.

EXISTING INDUSTRY DEVELOPMENT DIVISION

I. Statutory Overview

Provide programs that facilitate the development of existing industries and startup industries. (K.S.A. 74-5046a)

Facilitate the availability of capital for business growth and quality job creation. (K.S.A. 74-5046b)

Encourage the development of a coordinated statewide network of business assistance programs. (K.S.A. 74-5046c)

Encourage the development of minority and women-owned businesses. (K.S.A. 75-5046d)

Pursue initiatives to expand the market for Kansas products and services. (K.S.A. 75-5046e)

Assist small businesses by providing assistance in interpreting and applying the laws and administrative rules and regulations of the state applying to such businesses. (K.S.A. 75-5046f)

Make performance grants to certified development companies and small business development centers. (K.S.A. 75-5046f)

II. Existing Industry Development Activities

Business Development Programs

--Kansas Business Retention and Expansion Program

This program encourages new industry creation and recruitment, and assists communities in creating an environment that will sustain existing industry. A quick response component provides technical assistance to communities that suffer a major loss of employment.

Business Development Programs(cont.)

--First Stop Clearinghouse Office

Provides a one-stop office for businesses to receive applications and information necessary to start a business in the state of Kansas. The office also provides advocacy services to Kansas' small businesses and assists them in finding private and public sources of assistance.

--Venture and Seed Capital

The division has developed and operates a network of venture capital resources to assist qualified small businesses in locating potential sources of venture capital financing.

--Certified Development Companies and Small Business Development Centers

The division monitors and assists in the provision of development capital to promote business growth and quality job creation. Base funding and performance grants are provided for a network of local and regional Certified Development Companies (CDCs). The CDCs operate statewide and provide businesses with financial services using state, Small Business Administration and private financial sources.

--Kansas Match Program

This program provides a resource for Kansas companies looking to purchase goods and services from Kansas companies. The program seeks to replace products and services purchased from out-of-state suppliers with Kansas products and services.

--Operation Strongest Link

This program provides a comprehensive outline of local, state, and federal assistance to economic development organizations, communities and businesses.

Field Offices

--Regional Field Offices

Six regional field offices serve as the major outreach effort of the agency. These offices represent the programs of the entire agency to the entities in their territory. Field staff are to be trained in key program areas that target communities and businesses.

Minority and Women Business Development

--Directory of Minority-Owned and Women-Owned Businesses

This publication is provided to federal, state and local governmental agencies and to private sector purchasing departments to give awareness to products and services available from minority and women-owned businesses.

--Office of Minority Business Development

This office provides technical assistance to minority and women-owned businesses, and promotes and assists in the development of minority and women-owned businesses Kansas.

Public/Private Partnership Development

--Kansas Rural Entrepreneurship Internship

This program seeks to educate potential rural business owners on the positive and negative aspects of business ownership.

--Small Business Development

Working with a state association, the division is working to increase its awareness and involvement with small business in the state. The division seeks to be a single point of contact for small businesses.

--Small Manufacturer Development

The division hopes to sponsor forums and informational gatherings for small manufacturers in FY 93. The goal is to develop an action agenda to insure small manufacturers can continue to grow and be competitive in the future.

HOUSING DIVISION

I. Statutory Overview

Housing Specific

Executive Reorganization Order 23 which established the Division of Housing of the Department of Commerce and Housing was affirmed by the 1992 Legislature. Housing programs within the Department of Social and Rehabilitation Services were transferred to the division which empowered to:

- 1). Prepare and administer the state housing plan in accordance with criteria of the federal department of housing and urban development.
- 2). Serve as a clearinghouse regarding information, programs, and resources related to affordable and accessible housing.
- 3). Provide access and management of federal housing programs for delivery to citizens and businesses of Kansas.
- 4). Work with existing agencies, organizations and social programs to assist in the development of affordable and accessible housing.
- 5). Exercise other power and perform other duties as may be prescribed by law.

II. Housing Activities

--Community Services Block Grants

Channels federal dollars to community agencies to assist Kansans with low incomes.

--CHAS

The State Comprehensive Housing Affordable Strategy is a current survey of housing conditions throughout the state and allows Kansas to qualify for funding under the National Affordable Housing Act of 1990. CHAS includes a five-year housing strategy and a one-year action plan.

--Emergency Shelter Program

Administration of federal grants to provide long-term assistance for the homeless through community emergency shelter and homeless service providers.

--HOME/HOPE

For the first time, during 1992, the Division of Housing received \$6.5 million in federal HOME funding under Title II of the National Affordable Housing Act of 1990.

--Information Clearinghouse

Serve as a clearinghouse regarding information, programs, and resources related to affordable and accessible housing.

--Low Income Housing Tax Credit Program

State allocates federal tax credits as incentives for development of low and moderate income rental housing.

--Permanent Housing For The Handicapped Homeless

Involves grants for long-term housing and supportive services to individuals who are handicapped and homeless.

--Rental Rehabilitation

Administration of federal grants for rehabilitation of housing units for use by low and moderate income persons.

--Section 8 Assistance

Includes rent adjustments, inspections of physical conditions and maintenance, and monthly rent financial assistance.

--Rural Operation Homeless

The Johnson County Housing Authority currently administers these programs under a contractual agreement with the Division of Housing. This program helps individuals acquire safe and decent housing.

--State Housing Trust Fund

Established by the 1991 Kansas Legislature, this fund authorizes state receipt of grants, gifts, and donations for Kansas housing. It also authorizes the Division of Housing to apply for public or private grants for housing programs and services.

--Weatherization

Provides low income families materials for home weatherization and energy efficiency improvement.

III. Legislatively Mandated Advisory Committee

Governor's Commission On Housing and Homelessness. This is a 17-member board which advises the Governor and the Housing Division on housing issues affecting Kansas.

COMMUNITY DEVELOPMENT DIVISION

I. Statutory Overview

Community Development Specific

Contract with federal, state or local public agencies or with qualified private agencies to carry out missions of KDOC&H (K.S.A. 74-5009a)

Advise, confer, cooperate with and assist local governments, planning commissions, agency officials, civic and other groups and citizens in matters relating to the overall mission of KDOC&H (K.S.A. 74-5009b)

Encourage the development of comprehensive community planning programs (K.S.A. 74-5009b)

Non Community Development Specific

Administer Kansas Partnership Loan Fund (K.S.A. 74-5055 et.seq.)

Administer Kansas Enterprise Zone Program (K.S.A. 12-17,107 et.seq.)

II. Community Development Division Activities

--CDBG Program

Community Improvement, Economic Development, Planning and Urgent Need grants are made to cities and counties in the non-metropolitan areas of the state.

--Community Strategic Planning Assistance Program

Grants are made for multi-city and county strategic planning and action efforts.

--Main Street Program

Promotes comprehensive, self help downtown revitalization in 11 designated Kansas Main Street cities in affiliation with the National Main Street Center. Individual local projects have resulted in more than \$75 million in private investment since 1986.

--PRIDE Program

This program of local, volunteer-based community improvement, jointly staffed with the Kansas Cooperative Extension Service, provides technical assistance and statewide organization. Awards and recognition for community achievement are provided by corporate sponsors, some of whom serve with community representatives on the Board of Directors.

--Kansas Partnership Fund

Low interest loans are made from the revolving loan fund to communities for infrastructure improvements related to job creation. (No current appropriation)

--Enterprise Zone Program

New legislation went into effect January 1, 1993. The KDOC&H has received 7 applications to date, all of which are still pending. The first approvals may occur this next week. To date, all applications are from individual counties for designation as non-metropolitan business regions.

--The Kansas Rural Development Council, for budgetary purposes resides within KDOCH

III. Legislatively Mandated Advisory Committee

Community Strategic Planning Grant Committee 5 persons (President of Kansas Inc-Chair; Director of the National Institute for Rural Development; representatives of the Kansas Association of Counties, League of Kansas Municipalities, and the Kansas Industrial Development Association (KIDA) representative.

TRAVEL AND TOURISM DEVELOPMENT DIVISION

I. Statutory Overview

Encourage and promote the traveling public to visit the state by publicizing information as to the recreational, historic and natural advantages of the state and its facilities for transient travel and to contract with organizations for the purpose of promoting tourism within the state (K.S.A. 74-5032a)

Solicit and receive moneys from any public or private sources to administer a program of matching grants to provide assistance to entities in the promotion of tourism and the development of quality tourist attraction. (K.S.A. 74-5032c)

Request other state agencies coordinate information and their respective efforts with the department to most efficiently and economically carry out the purpose and intent of the division's mission (K.S.A. 74-5032b)

Develop strategies to attract film production economic development to the state of Kansas. (K.S.A. 74-9202)

II. Travel and Tourism Development Activities

--Media Promotion

Work with traveling journalists, secure advertising, publicize 1-800 number, print travel guides and brochures, publish "Kansas!" magazine, work with Kansas Association of Broadcasters.

--Specialized Promotion

Visitor Information Centers, group and motor coach tour promotion, America's Heartland international promotion, and trade shows, the Santa Fe Trail, Oregon Trail and Cherokee Strip commemorations.

--"Kansas!."

Kansas! magazine and Kansas Two provide educational and promotional information about the state of Kansas. Articles are published on attractions, festivals, and activities available in Kansas.

--Tourism Promotion Matching Grants Program

This grant program provide funding for local tourism promotion efforts.

--Tourism Attraction Development Grants

This grant program provides funding to public tourism attractions to enhance their development.

--Kansas Film Commission

Assists the film industry in scouting and securing movie making locations. Promotes Kansas film making potential to motion picture, commercial, made for television, and industrial film producers.

--Kansas Film Services Advisory Commission

Composed of 19 voting members and a California based advisory panel, the commission assists in the development of film industry strategies and the promotion of the Kansas film Industry at key forums.

TRADE DEVELOPMENT DIVISION

I. Statutory Overview

Trade Development Specific

Promote the export of Kansas products outside the state and the United States. (K.S.A. 74-5048a)

Develop and conduct trade development and market research missions to foreign markets and host foreign buying teams visiting Kansas. (K.S.A. 74-5048b)

Prepare and distribute an export directory and other specialized product information to foreign buyers. (K.S.A. 74-5048c)

Identify foreign trade and develop foreign trade leads. (K.S.A. 74-5048d)

Coordinate with Kansas state university and the state board of agriculture to disseminate information relating to international grain and agricultural trade programs. (K.S.A. 74-5048e-f)

Enter into agreements with Kansas exporters and financial institutions, and with other public or private entities to provide insurance, coinsurance, reinsurance and guarantees against commercial preexport and postexport credit risks for Kansas export transactions (K.S.A. 74-5069 et. seq.)

Establish the Kansas export loan guarantee review committee. (K.S.A. 74-5073)

Provide financial assistance to Kansas businesses participating in trade show outside the boundaries of the United States. (K.S.A. 74-5075 et. seq.)

II. TRADE DEVELOPMENT ACTIVITIES

Trade Services, Marketing and Promotion

--Trade Shows

The division participates in trade shows in the United States and overseas that attract foreign companies.

--Trade Missions

The department hosts trade missions to Kansas.

--Foreign Representation

The department has engaged foreign representation of Kansas products and industries through contract representatives in Brussels, Belgium; Ottawa, Canada; St. Petersburg, Russia; Tokyo, Japan; and trade service representation in Monterrey, Mexico and Sydney, Australia.

--Kansas Trade Show Promotion Act (KTSAP).

Provide funds through KTSAP to assist participation in international trade shows and exhibitions. Companies may request up to \$3,500 in reimbursement for approved expenses.

International Industrial Development

--Develop and disseminate foreign language literature for use in conjunction with missions and in-state visits by prospects.

--Promote the state's economic strength to foreign firms by direct mail, personal contacts, and a regular call program.

Kansas Export Finance Act

--Technical Assistance

Provide technical assistance to small and medium size Kansas companies to obtain financing requirements associated with the sale of Kansas products/services internationally.

--Assist exporters in obtaining FICA insurance against foreign commercial and political risks.

--Export Loan Guarantee Program

Provide Kansas exporters with guarantees in support of loans made by lending institutions for export transactions.

ADMINISTRATION DIVISION

I. Statutory Overview

Administration is generally provided for in K.S.A. 74-5002a.

II. Administration Division Activities

Fiscal Support

Provides fiscal management oversight, assures compliance with all state purchasing and accounting regulations, budget preparation, fund management (fee funds, federal funds, cash flow, etc.) and payment of centralized billings.

Personnel

Provides personnel transaction management, employee consultation, payroll control, and assures compliance with all personnel laws and regulations.

Economic Research and Analysis

Maintains economic data bases and information in support of all division functions, distributes state economic information upon request, assists with legislative tracking, information and analysis, maintains and updates directories, and performs studies as required in support of department roles.

Public Information

Distributes information to constituent groups, produces departmental annual reports, periodic reports and press releases, effects image quality control and continuity in all medium, and assists with production and coordination of public presentations for KDOC&H staff members.

Management Information Systems

Maintains the computer system in its operational and physical components, controls inventory of computer equipment and software, performs computer programming, data maintenance and staff training.

Administrative Support

Provides for maintenance of offices and equipment, purchasing and contracting support, and space, storage and equipment allocation.

Gaming Revenues

The State Gaming Revenues Fund is the depository for monies available to the state from the Kansas Lottery and the Kansas Racing Commission.

State Gaming Revenues Fund Distributions. Disbursements from the State Gaming Revenues Fund are made in accordance with the formula in KSA 79-4801 et seq. In FY 1990, the formula provided that 60 percent of receipts be transferred to the Economic Development Initiatives Fund, 30 percent to the County Reappraisal Fund, and 10 percent to the Correctional Institutions Building Fund (or the Juvenile Detention Facilities Fund, if specified for this purpose by appropriations act).

Beginning in FY 1991, the formula for distributing receipts of the State Gaming Revenues Fund was modified. Distributions from the fund for the Economic Development Initiatives Fund increased from 60 percent to 90 percent, distributions to the County Reappraisal Fund were decreased from 30 percent to zero, and distributions to the Correctional Institutions Building Fund remained at 10 percent.

For FY 1994, the Governor recommends that the distribution formula for gaming revenues be modified. Under the recommendation, 65 percent of State Gaming Revenues Fund receipts would be dedicated to the Economic Development Initiatives Fund. The Correctional Institutions Building Fund would receive 20 percent of gaming revenues, and the remaining 15 percent would be transferred to a newly-created General Facilities Building Fund, which will be dedicated to general facilities capital improvements. Projects funded from the General Facilities Building Fund, as recommended by the Governor for FY 1994, include rehabilitation and repair for the Kansas Bureau of Investigation, Adjutant General, Department of Administration, and the Historical

Society, as well as several projects for the Department of Wildlife and Parks. Distributions from the State Gaming Revenues Fund for the above purposes are estimated to be \$31.7 million in FY 1993 and \$38.2 million in FY 1994.

State Gaming Revenues Fund Receipts. The amount to be distributed to these funds depends on the amount transferred to the State Gaming Revenues Fund from the Kansas Lottery and the Kansas Racing Commission as well as on the distribution formula. Based upon estimated receipts to the State Gaming Revenues Fund, the Governor recommends distributions in FY 1993 and FY 1994 as shown in the table.

State Gaming Revenues Fund			
	FY 1992	FY 1993	FY 1994
Transfers In			
Lottery	\$25,647,019	\$25,500,000	\$32,160,000
Racing	7,103,667	6,184,000	6,013,559
Total	\$32,750,686	\$31,684,000	\$38,173,559
Transfers Out			
EDIF	\$29,475,617	\$28,515,600	\$24,812,813
CIBF	3,275,069	3,168,400	7,634,712
GFBF	--	--	5,726,034
Total	\$32,750,686	\$31,684,000	\$38,173,559

By statute, the monthly transfer to the State Gaming Revenues Fund is designated to be any money in excess of what is needed for lottery operations or 30 percent of net sales, whichever is greater. The amount to be transferred to the State Gaming Revenues Fund is certified by the Lottery Director and transferred by the Director of Accounts and Reports. Transfers are made on or before the 15th of each month. In the past, the transfer has been routinely 30 percent of net sales. This has left 70 percent of Lottery sales to finance agency expenditures. However, the cost of

Lottery operations has been generally less than 70 percent of sales. Because of this, a sizable balance accumulated in the Lottery Operating Fund. Therefore, in FY 1992, in addition to the 30 percent of sales transfer, \$2.8 million was transferred from the Lottery Operating Fund to the State Gaming Revenues Fund.

Under a statutory amendment enacted during the 1989 Session, receipts from racing activities are to be determined monthly by the Executive Director of the Racing Commission, beginning on January 15, 1990. Any excess in the amount of resources available in the State Racing Fund is to be transferred monthly by the Director of Accounts and Reports to the State Gaming Revenues Fund. The excess is determined by the Executive Director of the Racing Commission and the Director of Accounts and Reports, taking into consideration such factors as adequate fund balances, encumbrances, anticipated revenues, actual revenues, and expenditures to-date.

Racing Commission Revenues. Revenues from race tracks are derived from the following sources: the parimutuel wagering tax, an admissions tax, license fees, and occupational license fees. Nationwide, the parimutuel racing industry is experiencing decreasing attendance and betting levels. The tracks in Kansas have not escaped the downward trend. At the Woodlands in Kansas City, the attendance during the 1991 calendar year for horse and dog performances averaged 4,802 and 3,480, respectively. In the first 11 months of calendar year 1992, the attendance for horse and dog performances dropped to 2,817 and 3,324, respectively. The parimutuel betting per person on horses in calendar year 1991 averaged \$95.79; in calendar year 1992 through November 1992, the average declined to \$65.90. Dog racing at the Woodlands fared slightly better, with average betting decreasing from \$118.09 in calendar year 1991 to \$113.45 through November 1992.

The average attendance per performance at the Wichita Greyhound Park has fallen from 1,650 in calendar year 1991 to 1,442 in the first 11 months of 1992. The average parimutuel betting per person during the same period has risen slightly from \$104.08 to \$109.13.

Estimated receipts for FY 1993 and FY 1994 reflect the trend toward decreasing attendance and per capita betting. However, the receipt estimates also are adjusted upward because of the introduction of simulcasting and the anticipated construction of a new track near Pittsburg, Kansas. The 1992 Legislature adopted SB 383, which allows simulcasting in Kansas. This activity is expected to boost racing receipts substantially. In addition, the Racing Commission recently approved a license for the construction of a new greyhound track in southeast Kansas. The track, projected to open in September 1993, should enhance racing fund receipts beginning in FY 1994. The table below displays the estimated revenues from each track.

Racing Revenues		
	<u>FY 1993</u>	<u>FY 1994</u>
Kansas City Woodlands	\$5,428,099	\$6,013,650
Wichita Greyhound Park	2,555,748	2,386,557
Pittsburg	--	642,999
Total	\$7,983,847	\$9,043,206

Lottery Revenues. The Kansas Lottery made its first sales in November of 1987. First-month sales of \$19.8 million remain unequaled. Sales for FY 1988 eventually totaled \$67.7 million. In FY 1989, lottery sales stabilized at \$68.0 million. The level sales were mainly due to the introduction of on-line games. On-line games tend to stabilize total sales in months in which instant ticket sales are sub-par. FY 1990 sales dipped to \$63.6 million.

Since FY 1990, lottery sales have grown steadily. FY 1991 sales rebounded to reach a total of \$70.3 million. For FY 1992, sales totaled \$77.1 million. The table below displays yearly sales since the inception of the Kansas Lottery and the annual amounts contributed by the lottery to the State Gaming Revenues Fund.

Lottery Sales and Transfers to the State Gaming Revenues Fund <i>In Millions</i>		
	<u>Lottery Sales</u>	<u>SGRF Transfers</u>
FY 1988	\$67.7	\$8.5
FY 1989	68.0	21.5
FY 1990	63.6	19.2
FY 1991	70.3	19.5
FY 1992	<u>77.1</u>	<u>25.6</u>
Total	\$346.7	\$94.3

Net sales for FY 1993 are estimated to reach \$85.0 million. For FY 1994, the sales are estimated to reach \$107.2 million. Both of these estimates are based on the introduction of a new on-line game on October 29, 1992: Club Keno. Club Keno sales are estimated to reach \$21.1 million in FY 1993 and \$45.0 million in FY 1994. The following table displays estimated lottery sales based on type of game.

Lottery Net Sales		
	<u>FY 1993</u>	<u>FY 1994</u>
Instant	\$25,220,000	\$24,000,000
Pull-Tab	2,100,000	2,200,000
Club Keno	21,105,000	45,000,000
Other On-Line	<u>36,575,000</u>	<u>36,000,000</u>
Total	\$85,000,000	\$107,200,000

Economic Development Initiatives Fund

As noted in the previous section, the Governor recommends that the distribution formula for the State Gaming Revenues fund be modified, from 90 percent to 65 percent. In the past, "economic development" has been interpreted broadly, and the Economic Development Initiatives Fund (EDIF) has been used to offset routine State General Fund expenditures. The effect of the Governor's distribution formula would result in continued funding only for programs that clearly and directly influence economic development.

In FY 1994, the EDIF, under the Governor's recommendations, will receive \$24,812,813. Total available resources, including an estimated beginning balance of \$6,459,194 and interest earnings of \$250,000, are projected at \$31,522,007. The Governor recommends economic development initiatives in FY 1994 to develop a comprehensive strategy which attracts investments to Kansas, encourages local competitiveness, trains workers, promotes tourism, and assists technology transfer and product development.

A total of \$10.0 million (32.0 percent) of the EDIF is recommended to finance programs of the Department of Commerce and Housing. The recommendation includes a one-time appropriation of \$1.0 million to capitalize the Kansas Basic Enterprises Loan Guarantee Fund. Continued support is recommended for small business development centers, certified community development centers, Kansas industrial training and retraining, trade show promotion, strategic planning grants, national and international marketing, and agency operating costs.

The Governor's recommendation of \$9.9 million (32.0 percent) from the EDIF for the Kansas Technology Enterprise Corporation includes a one-time appropriation of \$1.5 million to capitalize the Ad Astra Fund. Continued funding

is recommended for the Centers of Excellence, research matching grants, training equipment grants, industrial liaisons, special projects, the Agricultural Value Added Center, the Mid-America Manufacturing Technology Center, and agency operating costs.

By statute, \$2.0 million from the Economic Development Initiatives Fund is transferred annually to the State Water Plan Fund to develop water-related projects. Grants of \$4.0 million to area vocational-technical schools would be made to provide internships, workforce training, and equipment acquisition. Funding of \$3.0 million is recommended to assist county governments in the continuing property appraisal process.

Geographic Distribution. By statute, half of all expenditures from the EDIF must be distributed equally among the state's congressional districts. For FY 1992, each of the five congressional districts was to receive a minimum of 10 percent of expenditures from the fund. Given that expenditures from the Economic Development Initiatives Fund totaled \$27,678,791 in FY 1992, each congressional district was entitled to a minimum expenditure of \$2,767,879. Each congressional district received more than the minimum required by statute. The Second Congressional District continues to receive a large share of fund expenditures because of the location of most state offices and two state universities in that district.

Geographic Distribution		
	FY 1992 Expenditures	Percent of Total
District One	\$6,124,440	22%
District Two	8,081,794	29
District Three	4,771,574	17
District Four	4,080,568	15
District Five	4,620,415	17
Total	\$27,678,791	100%