

Approved: 3/15/94
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Bob Mead at 3:30 p.m.. on March 9, 1994 in Room 423-S of the Capitol.

All members were present except:

Representative Greg Packer, excused
Representative John Toplikar, excused
Representative Forrest Swall, excused

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

Conferees appearing before the committee:

Senator U.L. "Rip" Gooch
Frank Niles, Department of Commerce and Housing
Charles Warren, Kansas, Inc.

Others attending: See attached list

Chairman Mead called attention to a handout from Jane Rhys, Kansas Planning Council on Developmental Disabilities, with the information requested by Representative Rutledge concerning the number of individuals with disabilities who are of working age. (Attachment 1)

The Chair then opened hearings on Substitute for SB 183 and called on Senator Gooch as the first conferee. Senator Gooch told the committee he had originally introduced SB 183 which would have established a new economic development grant program to benefit an area in Wichita but upon reviewing other metropolitan counties in the state it was decided to authorize the participation also of these counties, Douglas, Johnson, Leavenworth, Sedgwick, Shawnee and Wyandotte. Under existing law, only non-metropolitan counties may participate.

He continued the bill would authorize neighborhood revitalization organizations to apply for planning grants and action grants and these grants would be governed by the same matching requirements and loan limits as would apply to planning and action grants awarded for single-county economic development strategy plans in non-metropolitan counties. He concluded by saying this was an expansion of the original bill, extending it to a larger area.

Frank Niles, Strategic Planning Program in the Department of Commerce and Housing, next spoke in support of Substitute for SB 183. He gave an outline of how the program would be administered and the criteria for receiving these grants. In summary he told the committee that expansion of the strategic planning program would allow metropolitan areas access to the strategic planning process and it's proven effectiveness at assisting communities to define and solve their own problems. (Attachment 2)

Dr. Charles Warren, Kansas, Inc. was the next conferee to speak in support of this bill. He stated SB 183 was a very different bill that was quite distinct in community planning and Substitute for SB 183 is a compromise, and grafts some of the objectives from that bill to an existing program. He distributed a copy of a time line which shows the years the planning and action grants could be awarded for both non-metropolitan counties and neighborhood planning and action grants. (Attachment 3)

Chairman Mead read correspondence from Russell County Economic Development in opposition to Substitute for SB 183 and written testimony was distributed from Beth Tatarko and Carol Peak from the Kansas Center for Community Economic Development who also were in opposition to this bill. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, Room 423-S
Statehouse, at 3:30 p.m. on March 9, 1994.

Following questions to the conferees from the committee, Chairman Mead closed hearings on Substitute for SB 183.

Chairman Mead next called attention to the EDIF sub-committee report and reminded the committee there was a motion on the table at the February 24th meeting to adopt this report and then have amendments or further discussion but it was postponed at the suggestion of Representative Sader to allow more committee members to be present. At this request Representative Mason withdrew his motion and Representative Boston his 2nd.

At this time, Representative Mason made a motion to adopt the sub-committee report as a working document, seconded by Representative Dean and the motion carried. (Attachment 5)

The Chair then opened the floor for discussion. Following discussion the committee requested information from Paul West, Research. He reported in testimony by the Department of Commerce and Housing before the Appropriations sub-committee that the following five items would be considered priority by the agency. The first priority would be the addition of \$5 million for the Economic Initiative Development Fund, the second priority was increasing funding for KIT by \$500,000, the third priority was increasing the Travel and Tourism budget by \$1.3 million, fourth priority was including \$75,000 to finance the high performance incentive grants and the fifth priority was to increase the tourism attraction grants by \$750,000.

Following discussion Representative Rutledge made a motion to move four items, trade show promotion grants, travel information center repairs, Olathe Travel Center and tourism grants, from Priority #1 to Priority #2, Promotion and Marketing. This was seconded by Representative Nichols. The motion failed.

Representative Boston made a motion to attach the document by Charles Warren, "Economic Development Initiatives Fund, It's History and Use For Economic Development" to the sub-committee report, seconded by Representative Mason and the motion carried.(Attachment 6)

Representative Sader made a motion to move all salaries, wages and administrative expenses from each category and place in Priority #4 with a recommendation that these expenditures come from the General Fund, and only if that is an impossibility the expenditures would come out of the EDIF fund, seconded by Representative Wempe.

Representative Rutledge made a substitute motion to leave the monies received by Kansas, Inc. and KTEC for salaries and operating expenses in Priority #1 and only move the salaries and expenses of the Department of Commerce and Housing.

Representative Sader amended her motion to include only salaries and wages and not administrative expenses, seconded by Representative Wempe.

Representative Rutledge withdrew his motion. The amended motion by Representative Sader carried.

Representative Donovan made a motion to direct Chairman Mead to submit the amended document, along with a cover letter, to the Appropriations Committee, seconded by Representative Mason and the motion carried.

Chairman Mead, and staff, will compose the cover letter and upon approval of the letter by the whole committee will submit the amended document.

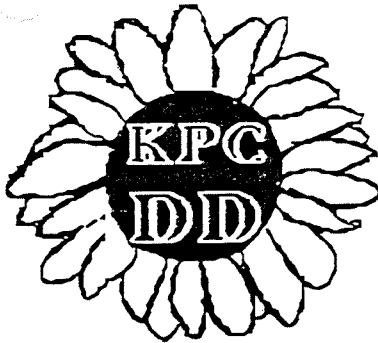
The meeting adjourned at 5:15 p.m.

The next meeting is scheduled for March 15, 1994.

GUEST LIST

COMMITTEE: HOUSE ECONOMIC DEVELOPMENT DATE: 3/9/94

[illegible]



Kansas Planning Council on Developmental Disabilities

JOAN FINNEY, Governor
WENDELL LEWIS, Chairperson
JANE RHYS, Executive Director

Docking State Off. Bldg., Room 141, 915 Harrison
Topeka, KS 66612-1570
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*"To ensure the opportunity to make choices regarding participation in
society and quality of life for individuals with developmental disabilities"*

TO: Members of the House Economic Development Committee
FROM: Jane Rhys, Executive Director
DATE: March 9, 1994
RE: **NUMBERS OF INDIVIDUALS WITH DISABILITIES IN KANSAS**

On March 8, 1994 I presented testimony on S.B. 639, an act concerning economic statistics, authorizing surveys of Kansas wage, occupation and underemployment data. After my testimony Representative Rutledge asked that I provide specific data regarding the definition of disability used in the federal Bureau of the Census report and the numbers of individuals with disabilities in Kansas.

The document used to prepare the testimony is *Americans with Disabilities: 1991-92*, published December, 1993 by the U. S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census. This document represents a study completed by the Bureau of the Census which collected information related to individuals who have disabilities in the U.S. I checked with several agencies and we do not have the data specific to Kansas from this report. If it becomes available I will forward it to you. The fact that we do not have this data underscores the need to have Kansas studies so we are able to know specifically about our population.

The definition of disability used in the document includes individuals who have difficulties in six categories of functional activities (seeing, hearing, speaking, lifting and carrying, climbing stairs, and walking). The study also determined whether persons had difficulty performing, or needed personal assistance with, various activities of daily living. The definition also included individuals who required the use of wheelchairs and other aids, and whether the individual had one or more impairments from five classes of impairments (learning disabilities, mental retardation, other developmental disabilities, Alzheimer's/senility/dementia, and other mental or emotional conditions). Finally individuals counted as having a disability were identified by the fact that they were a nonaged beneficiary of either Medicare or the Supplemental Social Security program.

*Economic Development
March 9, 1994
Attachment 1*

The definition of severe disability includes those identified as having a disability who were unable to perform one or more activities, or as having one or more specific impairments, or as a person who used a wheelchair or who was a long term user of crutches, a cane, or a walker.

Attached are two charts which show disability status by sex and age for 1991-92. The first chart is a replica of information obtained from *Americans with Disabilities: 1991-92*. The second chart shows the *estimated* Kansas data. This data was obtained by using the Kansas percent of the U.S. population (.98%), and multiplying this by the U. S. data.

I hope that this information is useful. Please-let me know if I can provide further information.

DISABILITY STATUS BY SEX AND AGE: 1991-92

U. S. Disability Status, by Sex and Age: 1991-92							
Sex and Age	Total	With A Disability					
		Total		Not Severe		Severe	
		Number	Percent	Number	Percent	Number	Percent
Both Sexes							
Total	251,796,000	48,936,000	19.4	24,819,000	9.9	24,117,000	9.6
15 to 64	165,040,000	29,482,000	17.9	16,311,000	9.9	13,171,000	8.0
Males							
Total	122,692,000	22,916,000	18.7	12,987,000	10.6	9,929,000	8.1
15 to 64	81,154,000	14,504,000	17.9	8,642,000	10.6	5,862,000	7.2
Females							
Total	129,104,000	26,020,000	20.2	11,833,000	9.2	14,187	11.0
15 to 64	83,886,000	14,978,000	17.9	7,669,000	9.1	7,309,000	8.7

Estimated Kansas Disability Status, by Sex and Age 1991-92*							
Sex and Age	Total	With A Disability					
		Total		Not Severe		Severe	
		Number	Percent	Number	Percent	Number	Percent
Both Sexes							
Total	2,477,574	479,573	19.4	243,226	9.9	236,347	9.6
15 to 64	1,617,392	288,924	17.9	159,848	9.9	129,076	8.0
Males							
Total	1,202,382	224,577	18.7	127,273	10.6	97,304	8.1
15 to 64	795,309	142,139	17.9	84,692	10.6	57,448	7.2
Females							
Total	1,265,219	254,996	20.2	115,963	9.2	139	11.0
15 to 64	822,083	146,784	17.9	75,156	9.1	71,628	8.7

* NOTE: These statistics are not yet available for Kansas. This data (except for the Kansas population figure) was obtained by using U.S. statistics and the percentage of the population that Kansas represents.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The Kansas Legislature

Substitute Senate Bill 183

TESTIMONY OF:

Frank Niles
Program Manager

Strategic Planning Program

Kansas Department of Commerce & Housing

March 9, 1994

*Economic Development
March 9, 1994
Attachment 2*

KANSAS DEPARTMENT OF COMMERCE & HOUSING
STRATEGIC PLANNING PROGRAM

Thank you for the opportunity to testify before you today concerning Substitute S.B. 183. The bill as amended would expand the scope of the Community Assistance Strategic Planning Program to include certain areas of metropolitan counties and make them eligible for both Planning and Action grants.

BACKGROUND -

The Strategic Planning Program began in 1991 and is administered by the Kansas Department of Commerce & Housing. It awards non-metropolitan counties both planning and action grants to develop and implement local economic development based plans. Last year the program was authorized for three more years after being reviewed and revised by the Legislature.

S.B. 183 would allow eligible areas in metropolitan counties to apply for and receive both planning and action grants. Metropolitan counties are not currently eligible for strategic planning or action grants. The funding source and amount for the program would remain unchanged but the pool of potential applicants would increase. The metropolitan grants would be administered in the same manner as

current non-metropolitan grants, but separate guidelines for metropolitan counties would be established. The grant selection committee would be increased to six members from the current five, to include an individual who could provide expertise in urban revitalization and/or public finance.

Metropolitan areas receiving planning grants would develop plans for urban revitalization, and a metropolitan area receiving an action grant would use the funds to implement their plan. No more than 50% of the funds annually available for the program could be awarded to metropolitan counties for planning or action grants.

Organizations from metropolitan areas applying for grants would be required to first receive approval from a local economic development organization designated by the county commission. After receiving approval, the application would be submitted to the grant selection committee along with resolutions of support from the local city and county governments. The same award amounts and match requirements would apply to metropolitan grants as are currently used for non-metropolitan areas. Each neighborhood revitalization organization could receive only one planning grant.

S.B. 183 would allow metropolitan areas direct access to resources for both strategic plan development and implementation. Effective plan development would result in awareness of current resources and also highlight problem areas where needs cannot currently be met.

An additional benefit of this proposal is that expanding the strategic planning program to include metropolitan areas could be a particularly effective step if the metropolitan area guidelines are developed in

coordination with the recently implemented HUD Federal Enterprise Community/Empowerment Zone program. This program is based on urban areas developing strategic plans and using them as the foundation for Federal EZ/EC grant applications. Federal grants received are targeted to problem areas cited in the plans, with grantees being potentially eligible for multi-million dollar awards.

In summary, expansion of the strategic planning program would allow metropolitan areas access to the strategic planning process and it's proven effectiveness at assisting communities to define and solve their own problems.

COMMUNITY STRATEGIC PLANNING ASSISTANCE

Report To:

THE JOINT COMMITTEE ON ECONOMIC DEVELOPMENT

July 30, 1993

THE KANSAS DEPARTMENT OF COMMERCE & HOUSING
Division of Community Development

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INTRODUCTION TO COMMUNITY STRATEGIC PLANNING PROGRAM

The Kansas Strategic Planning Program was started in 1991 to provide both funds and technical assistance so non-metropolitan counties in Kansas could develop their own individual strategic plan. The program allows counties to plan in multi-county units if they choose. This option has been used several times, especially in counties with low population or strong common interests.

The focus of each plan is county economic development which is broadly construed and includes issues such as housing, education, community leadership, health care, recreation, and quality of life. These all effect the ability of a community to attract or develop and retain new business.

The planning process begins with a group such as a county economic development committee or Chamber of Commerce applying for strategic planning funds. The applications which meet preliminary eligibility criteria are reviewed by the grant selection committee which consists of the President of Kansas, Inc; the Director of the National Institute for Rural Development; the Director of the Kansas Association of Counties; the Director of the Kansas League of Municipalities; and one member from the Kansas Industrial Developers Association from a metropolitan county. The membership of the committee is set by statute and the President of Kansas, Inc. serves as Chairman.

Upon receiving a grant award, each county forms a steering committee to oversee the planning process. A county-wide survey is taken to get an accurate idea of how conditions in the county are perceived by the people living there. The results are used in conjunction with county economic and demographic information provided by the Kansas Center for Community Economic Development. The process combines accurate information with community concerns to form a plan for the future. Public input is strongly encouraged during each step in the process so the plan is based on real community needs, and not on a formula developed previously by the state or federal government. The finished product is a county plan which addresses current needs and provides a structured approach to the future with specific goals and strategies.

After a county completes its plan, it may apply for an action grant which is the second part of the program. These grants provide initial funding so a county can start putting its plan into effect. Action grant applications are reviewed by the selection committee along with planning applications, and are based on one or more steps in a county strategic plan. These grants encourage counties to finish their plans promptly and to

use them once they have been completed. A county that has been "through the process" has a valid plan which has been implemented to improve the counties economic climate and define and address local problems.

APPLICATION AND AWARDS SUMMARY

The Strategic Planning Program has received 55 planning grant applications for 70 counties, with 41 awards made for 56 counties. It has received 34 applications for action grants for 39 counties, with 27 grants awarded for 32 counties. There have been 12 multi-county planning grant applications and all of those applicants received an award. Two of the planning grant applications were for three county areas. There have been four multi-county action grant applications and all of them have also received awards. One of the action grant awards was made to a three county area.

A summary by year of applications and awards is provided in the following tables.

In Fiscal Year 1991, there were 39 applications for 48 counties, with 23 grants awarded for 31 counties.

FY 1991 PLANNING GRANT REQUESTS & AWARDS

COUNTY	REQUEST	AWARD
Allen/Coffey/Woodson	\$ 20,000.00	\$ 19,200.00
Anderson	6,880.00	6,605.00
Barton	20,000.00	13,824.00
Barber/Harper	4,875.00	4,680.00
Bourbon	8,887.50	8,532.00
Cowley	20,000.00	19,200.00
Cloud/Ottawa	20,000.00	18,240.00
Ellsworth/Rice	20,000.00	18,240.00
Ford	20,000.00	19,200.00
Franklin	20,000.00	-0-
*Greenwood	17,600.00	16,896.00
Geary	20,000.00	19,200.00
Hamilton	20,000.00	-0-
Haskell	20,000.00	-0-
Labette	20,000.00	19,200.00
Lyon/Chase	20,000.00	19,200.00
Linn	20,000.00	-0-
Meade	20,000.00	-0-
Marion	20,000.00	19,200.00
McPherson	20,000.00	-0-
Mitchell/Lincoln	20,000.00	18,240.00

Morton	20,000.00	-0-
Nemaha	20,000.00	18,240.00
Phillips	20,000.00	10,752.00
Pawnee	20,000.00	-0-
Rooks	20,000.00	-0-
Reno	20,000.00	19,200.00
Sumner	20,000.00	19,200.00
Scott	15,000.00	-0-
Stafford	20,000.00	-0-
Wallace/Greeley	17,000.00	16,320.00
Total	\$570,242.00	\$323,369.00

*Greenwood: Forfeited Award

FY 1991 ACTION GRANT REQUESTS & AWARDS

Butler	\$ 40,000.00	-0-
Doniphan	10,000.00	-0-
Jefferson	18,550.00	-0-
Morris	20,962.50	19,031.00
Montgomery	40,000.00	-0-
Osage	6,850.00	-0-
Stevens	37,400.00	28,800.00
Seward	40,000.00	28,800.00
Total	\$213,762.50	\$ 76,631.00

All FY91 Total	\$784,004.50	\$400,000.00
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In Fiscal Year 1992 there were 22 applications for 26 counties, with 16 grants awarded for 19 counties.

FY 1992 PLANNING GRANT REQUESTS & AWARDS

COUNTY	REQUEST	AWARD
Cherokee	\$ 20,000.00	\$ -0-
Crawford	20,000.00	20,000.00
Doniphan	20,000.00	20,000.00
Elk	12,000.00	12,000.00
Franklin	14,700.00	14,700.00
McPherson	19,140.00	19,140.00
Meade/Gray/Haskell	20,000.00	20,000.00
Miami	20,000.00	20,000.00
Morton	20,000.00	-0-
Neosho/Wilson	20,000.00	20,000.00
Rooks/Graham	20,000.00	20,000.00

Sherman	11,250.00	11,250.00
Stafford	20,000.00	20,000.00
Thomas	20,000.00	6,400.00
Total	\$257,090.00	\$203,490.00

FY 1992 ACTION GRANT REQUESTS & AWARDS

COUNTY	REQUEST	AWARD
Allen/Woodson/Coffey	\$ 27,625.00	\$ 17,625.00
Anderson	5,250.00	5,250.00
Bourbon	40,000.00	24,000.00
Brown/Nemaha	40,000.00	10,000.00
Cowley	36,000.00	24,000.00
Cloud	15,000.00	-0-
Ford	38,021.00	24,000.00
Finney	36,900.00	24,000.00
Geary	40,000.00	10,000.00
Hamilton	39,450.00	9,500.00
Lincoln	10,000.00	-0-
Marion	24,000.00	24,000.00
Reno	40,000.00	24,000.00
TOTAL	382,246.00	\$ 196,375.00
TOTAL FY92	\$ 639,336.00	\$ 399,865.00
TOTAL FY91 & FY92	\$1,423,341.00	\$ 799,865.00

In Fiscal Year 1993 there were 23 applications for 28 counties, with 23 grants awarded for 28 counties.

FY 1993 PLANNING GRANT REQUESTS & AWARDS

COUNTY	REQUEST	AWARD
CHEROKEE	\$ 20,000.00	\$ 17,500.00
GOVE/LOGAN/TREGO	20,000.00	20,000.00
JACKSON	16,000.00	16,000.00
KINGMAN	9,000.00	9,000.00
MONTGOMERY	20,000.00	20,000.00
NORTON/DECATUR	20,000.00	17,500.00
RUSSELL	20,000.00	15,000.00
SHERIDAN	20,000.00	15,000.00
SMITH	20,000.00	15,000.00
WICHITA	20,000.00	15,000.00
TOTAL	\$ 185,000.00	\$ 160,000.00

FY 1993 ACTION GRANT REQUESTS & AWARDS

ATCHISON	\$ 15,500.00	\$ 15,500.00
BARTON	40,000.00	25,000.00
CHEYENNE	14,000.00	14,000.00
DONIPHAN	24,650.00	20,650.00
ELK	5,250.00	5,250.00
LINCOLN/MITCHELL	10,000.00	10,000.00
LYON/CHASE	25,000.00	25,000.00
MEADE	37,750.00	25,000.00
MIAMI	40,000.00	25,000.00
OSAGE	23,988.00	16,311.00
PRATT	12,940.00	12,940.00
STAFFORD	40,000.00	25,000.00
SUMNER	19,357.00	19,357.00
TOTAL	\$ 308,435.00	\$ 239,008.00
TOTAL FY 93	\$ 493,435.00	\$ 399,008.00
TOTAL FY91, FY92, & FY93	\$1,916.776.00	\$1,198,873.00

MAJOR PLANNING ISSUES

Counties developing plans during 1993 faced a number of common issues. Housing was one that came up in nearly every focus group discussion and survey. Communities are facing a shortage of adequate housing because older housing is slowly being eliminated and not replaced. Financing for new homes is difficult to get in many rural areas, especially for homes in the mid-level price range. Prospective home buyers either lack cash for a down payment, or can't quite afford payments on a house that will meet their family's needs.

The shortage of housing also drives up prices on existing houses and makes buying a home that much more difficult. There are a number of programs to help low-income individuals or families obtain housing, but it is difficult if not impossible for those one step up economically to buy a house. Many communities have had to waive the residency requirement for city employees because it can easily take a year for housing to become available. One official remarked that it was much easier to move to another area of the state and find a new job, than it was to stay put and find a decent home to live in. This is a particular problem for cities and counties trying to recruit business from out of state.

Another housing problem is a lack of housing for the elderly. Many older single adults occupy housing that would be ideal for families, but don't move because there is nothing else available

that meets their needs such as retirement complexes, assisted living programs, or smaller houses. Providing adequate, affordable, low maintenance housing for older citizens would immediately make good homes available to families.

Most counties have an industrial recruitment committee and each one is interested in bringing in a major manufacturer or business. The competition for any new industry is fierce so many cities and counties end up "giving away the farm" with tax abatements and other incentives. They are then vulnerable to losing the business to some other location that will give up a little more to attract a business.

The realization is slowly setting in that taking care of existing business is a much more effective way to promote economic development. Helping local business expand and creating an environment that encourages individuals to start new businesses is a much safer and cheaper way to proceed. Again, as with housing, there are many programs targeted to help individuals and marginal businesses on the bottom end, but little if anything to help small, healthy, existing businesses develop and expand. There are many happy success stories associated with people starting their own business, but real growth can be achieved by helping what small strong businesses we already have.

A new priority for many communities is to start a local business promotion and retention program, which is a much needed and more realistic approach. This does not put communities in the position of competing desperately with each other for business but focuses on each community doing what is in its best interest without taking anything away from the rest of the county or state.

Providing opportunity for and retaining young people is also a major concern. Smaller cities won't survive without a stable population base. Our young people are vividly aware that the quality of life they enjoy here in Kansas is difficult if not impossible to equal anywhere else in the country, but without adequate jobs to earn a living, there is no way to stay. They know they will have to leave to get job training or a college education, but are frustrated that there is often little opportunity to come back to.

ACTION GRANT PROJECTS FUNDED FOR FY 1993

BUSINESS RETENTION & PROMOTION	10
TOURISM	8

INDUSTRY RECRUITMENT & PROMOTION	6
HOUSING	3
WASTE MANAGEMENT & RECYCLING	2
ATTRACT NEW RESIDENTS	1
RECREATION	1
INFRASTRUCTURE	1
IMPROVE COMMUNITY RELATIONS	1
YOUTH DEVELOPMENT	1
COMMUNICATIONS	1
LEADERSHIP	1
COUNTY EMERGENCY SERVICES	1

LEGISLATIVE CHANGES IN THE STRATEGIC PLANNING PROGRAM

The original legislation that created the strategic planning program authorized it for three years, ending June 30, 1993. During the 1993 session of the legislature, the program was continued another three years through 1996. Before being renewed, the program was reviewed and several major changes were made for the next three years. They are outlined below.

Planning grant awards will not exceed \$15,000, with applicants eligible for up to an additional \$5,000 for each additional county in a multi-county application. No planning grant award shall exceed \$35,000.

Action grant awards will not exceed \$25,000, with applicants eligible for up to an additional \$10,000 for each additional county in a multi-county application. No total action grant awards shall exceed \$65,000.

The Kansas Department of Commerce & Housing will no longer contract with universities to provide technical assistance for grantees.

Action grants are authorized through 1996, and planning grants are authorized through 1995.

Counties are only eligible to receive one planning grant.

Counties are now eligible for additional action grants after successfully completing their first action grant.

PROGRAM GOALS AND RESULTS

The Strategic Planning Program has several basic goals. The first is for counties to develop a plan with specific steps for development and improvement. They also learn to think as a county and not just as a single community. This leads into working together to solve problems and keep their rural towns and cities viable for survival and growth. During the process new leadership is developed and involved in the planning program. Finally, with a plan in hand counties can focus on how to accomplish their goals, and not stay trapped in arguments over what should be done.

Results from the program have been impressive. Counties have developed their plans and learned to work together, but most significant is the change in attitude they have undergone. With a vision for the future, positive change is occurring all over the state. County strategic plans provide a direct tie-in to the state strategic plan, and show how each county can best proceed. One strong indicator of the value of strategic plans is the number of counties who have started the planning process on their own and did not wait for state funding. Having and using a plan is seen as a real competitive advantage for development.

Leadership development as a result of the process is a permanent improvement counties can use well into the future. Many counties have funded leadership programs with part of their action grants. This will provide a continuing supply of leaders to meet new challenges. Part of the emphasis on leadership has come from the realization that the county itself is responsible for its own survival and development. The state and federal governments can provide help with specific programs and funding, but the real commitment to make a difference must come from the county.

As more counties write their own plans, the program is developing into an excellent source of information on what problems must be overcome. Fort Hays State University is using strategic plans to develop a data base of county development priorities, which will be available on floppy discs upon request. The program has also been able to provide a "clearinghouse" service once needs are established. Recently as a result of including aging and housing issues in their plan, Stafford County met with representatives from the Division of Housing and the Department on Aging. The meeting was a success

and more like it are planned. Other programs such as business expansion and retention, enterprise zones, and tourism have been coordinated after being included in strategic plans. The Strategic Planning Program worked closely with the Housing Division to help develop the new state Comprehensive Housing Affordability Study and both programs as well as the counties have benefitted.

Another clearinghouse function provided is sharing successful strategies between counties. Good ideas are valuable and are shared whenever possible. This is done through conferences, workshops, and informal meetings. One of the most gratifying aspects of working in the program is seeing how freely counties share ideas and help each other solve problems.

A study of the Kansas Community Strategic Planning Program done for Kansas, Inc. and published in November of 1992, summarized the program's results as follows:

"In sum, the strategic planning effort in Kansas has been a partnership effort that has developed the interest and commitment of local leadership to economic development planning. It has increased public awareness about community economic development issues and provided a mechanism for communities to work together within the county and among counties to strengthen their position for a better future.

No other state has engaged in such an intensive, community-based strategic planning effort. And, for a first effort, most communities have made a good start. Implementation of the plans will provide further challenges for the communities. Strategic planning is not a one-time exercise, but it is an on-going process. As communities and counties implement, revisit, and update their plans, assistance and guidance will still be needed to enhance the changes for success."

HOUSE BILL No. 2020

AN ACT concerning community strategic planning; relating to the amount of community development grants and the use of such grants; amending K.S.A. 74-5097, 74-5098 and 74-50,100 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 74-5097 is hereby amended to read as follows: 74-5097. (a) Subject to the provisions of appropriations acts and in accordance with the provisions of this act, the department of commerce may provide planning grants and action grants to city-county economic development organizations located in nonmetropolitan counties, for the development and implementation of countywide economic development strategy plans.

(b) The committee shall establish grant eligibility criteria, and shall administer the competitive selection process for the awarding of planning grants and action grants. The committee shall submit its recommendations for grant awards to the secretary of commerce for final determination and award. Planning grants shall be for the development of countywide economic development strategy plans. No planning grant shall exceed ~~\$20,000~~ \$15,000 for any single county economic development plan. An additional award for an amount not to exceed \$5,000 may be granted for each additional county participating in the development of a joint multi-county strategic economic development plan, except that under no circumstances shall the total planning grant exceed \$35,000. Any city-county economic development organization receiving a planning grant shall be required to provide additional funds equaling 25% of the amount of the planning grant. Action grants shall be for the implementation of countywide economic development strategy plans. Total action grants shall not exceed \$40,000 and \$25,000 for any single county action grant application. An additional award for an amount not to exceed \$10,000 may be granted for each additional county participating in a joint multi-county action grant implementation effort, except that under no circumstances shall the action grant totals exceed \$65,000. Any city-county economic development organization receiving a grant shall be required to provide additional funds equaling 100% of the amount of the action grant. Not more than one planning grant may be awarded to any one county or combination of counties. Not more than one planning grant and one action grant may be awarded with respect to any one county. The secretary of commerce and housing may authorize a recipient of a planning grant, who has unexpended funds from such planning grant, to apply such funds to the implementation of the recipient's approved strategic economic development plan. Any unexpended planning grant funds applied to the implementation of such strategic economic development plan shall require the appropriate 100% match. Application of the unexpended planning grant funds to the implementation of the strategic economic development plan may result in the reduction of any subsequent action grant awarded to the recipient.

(c) The secretary of commerce may enter into an agreement with Fort Hays state university, Kansas state university, and the university of Kansas to provide services to city-county economic development organizations awarded grants to assist in developing, organizing and implementing community strategic plans in cooperation with cities and counties in the region and to encourage local initiatives to the greatest extent possible. Such services include, but are not limited to, the development of survey instruments, data analysis, facilitator training, report preparation assistance, on-site visitation and consultation services and followup and related services for the development of countywide economic development strategy plans.

(d) Prior to July 1 of each year, the chairperson of the community strategic planning grant committee shall present an annual report of activities under this act to the joint committee on economic development.

(e) The secretary of commerce and housing may enter into an agreement with economic development service providers to provide

reimbursement to such providers for expenses incurred in strategic planning activities which do not relate to the facilitation of a specific strategic plan. Such activities may include, but are not limited to, preapplication consulting and maintenance of economic development data bases. Such expenses shall be paid on a per project basis and must be preapproved by the secretary.

(d) Each city-county economic development organization which has received a planning grant beginning on July 1, 1990, shall assess the effectiveness of the strategic planning process under this program and the county preparedness in engaging in such process. Such assessment shall be submitted to the Kansas department of commerce and housing within three months after completion of a countywide economic development strategic plan. The status report developed pursuant to subsection (f) shall include a summary of all strategic plan assessments received for a twelve-month period prior to the submittal of the report to the joint committee on economic development. However, the summary may not include assessments submitted within 30 days of the submittal of the department's report. Any such assessments shall be included in a subsequent annual report.

(e) Each city-county economic development organization which has received an action grant beginning on July 1, 1990, shall assess the extent to which goals identified in its action plan application have been met. Such assessment shall rely on quantifiable criteria to the greatest possible degree. Such assessment shall be submitted to the Kansas department of commerce and housing within three months after intended actions identified for implementation in the action grant application have been undertaken. The status report developed pursuant to subsection (f) shall include a summary of all action plan assessments received for a twelve-month period prior to the submittal of the report to the joint committee on economic development. However, the summary may not include assessments submitted within 30 days of the submittal of the department's report. Any such assessments shall be included in a subsequent annual report.

(f) Prior to September 1 of each year the Kansas department of commerce and housing shall present a status report of activities including, but not limited to, specifics of community strengths and weaknesses and planning issues and strategies under the provisions of this act to the joint committee on economic development.

Sec. 2. K.S.A. 74-5098 is hereby amended to read as follows: 74-5098. City-county economic development organizations can use planning grant proceeds for the acquisition of technical assistance for strategy development activities, identification of specific projects, and other related services from the educational institutions mentioned in subsection (e) of K.S.A. 1990 Supp. 74-5097 or other economic development service providers. City-county economic development organizations can use action grants for hiring of technical assistance, implementation, evaluation and reassessment of strategies, purchasing of equipment and other services, and economic development activities undertaken by public-private partnerships as authorized for cities and for counties pursuant to law. Action grants shall not be used for the purchase or lease of land or the purchase, lease or construction of buildings or payment of salaries and benefits for permanent employees of any public or quasi-public agency.

Sec. 3. K.S.A. 74-50,100 is hereby amended to read as follows: 74-50,100. (a) No planning grants or action grants shall be awarded under this act on or after July 1, 1993 1995.

(b) No action grants shall be awarded under this act on or after July 1, 1996.

Sec. 4. K.S.A. 74-5097, 74-5098 and 74-50,100 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

APPENDIX B

County Strategic Planning status from the November 1992 Kansas Inc study of the Kansas Community Strategic Planning Program.

<u>COUNTY(IES)</u>	<u>PLANNING GRANT</u>	<u>STATUS</u>
Allen/Coffey/Woodson	91	Has Plan
Anderson	91	Has Plan
Atchison	No	Plan Underway
Barber/Harper	91	Draft Plan
Barton	91	Draft Plan
Bourbon	91	Has Plan
Brown/Nemaha	91	Has Plan
Butler	No	No Plan
Chase/Lyon	91	Draft Plan
Chautauqua	No	No Plan
Cherokee*	No	No Plan
Cheyenne	No	Has Plan
Clark	No	No Plan
Clay	No	No Plan
Cloud/Ottawa	91	Has Plan
Coffey/Woodson/Allen	91	Has Plan
Comanche	No	No Plan
Cowley	91	Has Plan
Crawford	92	Plan Underway
Decatur*	No	No Plan
Dickinson	No	No Plan
Doniphan	92	Plan Underway
Douglas (Metro County)	Not Eligible	Plan Underway
Edwards	No	No Plan
Elk	92	Plan Underway
Ellis	No	Plan Underway
Ellsworth/Rice	91	Has Plan
Finney	NO	Has Plan
Ford	91	Has Plan
Franklin	92	Plan Underway
Geary	91	Has Plan
Gove*	No	No Plan
Graham/Rooks	92	Plan Underway
Grant	No	No Plan
Gray/Haskell/Meade	92	Plan Underway
Greeley/Wallace	91	Has Plan
Greenwood	No	No Plan
Hamilton	No	Has Plan
Harper/Barber	91	Draft Plan
Harvey	NO	No Plan
Haskell/Gray/Meade	92	Plan Underway
Hodgeman	No	No Plan
Jackson*	No	Plan Underway
Jefferson	No	Has Plan
Jewell	No	No Plan
Johnson (Metro County)	Not Eligible	Has Plan

Kearny	No	Plan Underway
Kingman*	No	Plan Underway
Kiowa	No	Plan Underway
Labette	91	Has Plan
Lane	No	No Plan
Leavenworth (Metro County)	Not Eligible	No
Lincoln/Mitchell	91	Has Plan
Linn	No	Has Plan
Logan*	No	No Plan
Lyon/Chase	91	Draft Plan
McPherson	92	Plan Underway
Marion	91	Has Plan
Marshall	No	No Plan
Meade/Gray/Haskell	92	Plan Underway
Miami	92	Plan Underway
Mitchell/Lincoln	91	Has Plan
Montgomery*	No	Has Plan
Morris	No	Has Plan
Morton	No	No Plan
Nemaha/Brown	91	Has Plan
Neosho/Wilson	92	Plan Underway
Ness	No	No Plan
Norton*	No	No Plan
Osage	No	Has Plan
Osborne	No	Plan Underway
Ottawa/Cloud	91	Has Plan
Pawnee	No	Has Plan
Phillips	91	Has Plan
Pottawatomie	No	Has Plan
Pratt	No	Plan Underway
Rawlins	No	Plan Underway
Reno	91	Has Plan
Republic	No	No Plan
Rice/Ellsworth	91	Has Plan
Riley	No	Has Plan
Rooks/Graham	92	Plan Underway
Rush	No	No Plan
Russell*	No	No Plan
Saline	No	No Plan
Scott	No	No Plan
Sedgwick (Metro County)	Not Eligible	Has Plan
Seward	No	Has Plan
Shawnee (Metro County)	Not Eligible	No Plan
Sheridan*	No	No Plan
Sherman	92	Plan Underway
Smith*	No	No Plan
Stafford	92	Plan Underway
Stanton	No	No Plan
Stevens	No	Has Plan
Sumner	91	Has Plan
Thomas	92	Plan Underway
Trego*	No	No Plan
Wabaunsee	No	No Plan
Wallace/Greeley	91	Has Plan
Washington	No	Has Plan

Wichita*	No	No Plan
Wilson/Neosho	92	Plan Underway
Woodson/Allen/Coffey	91	Has Plan
Wyandotte (Metro County)	Not Eligible	Has Plan

*The Kansas Inc. study was as of November 1992, counties that received planning grants in FY93 are indicated.

Time Line Substitute for Senate Bill 183

Fiscal Year 1994
to June 30, 1994

Non-Metropolitan Counties
Planning & Action Grants

Fiscal Year 1995
to June 30, 1995

Non-Metropolitan Counties
Planning & Action Grants
Neighborhood Planning
Grants

Fiscal Year 1996
to June 30, 1996

Non-Metropolitan Counties
Action Grants
Neighborhood Planning &
Action Grants

Fiscal Year 1997
to June 30, 1997

Neighborhood Planning & Action
Grants

Fiscal Year 1998
to June 30, 1998

Neighborhood Action Grants

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Attachment 3

Kansas Center for Community Economic Development

Institute for Public Policy and
Business Research

The University of Kansas
218 Summerfield Hall
Lawrence, KS 66045
913-864-3123

Kansas Center for Rural Initiatives

Kansas State University
51 College Court Building
Manhattan, KS 66506
913-532-6868

March 10, 1994

Honorable Bob Mead
Kansas House of Representatives
Chair House Economic Development Committee
Statehouse
Topeka, Kansas

Dear Representative Mead:

First, we want to thank you for discussing legislative issues which affect community economic development efforts at last evening's Community Development Society's Legislative Dinner. As with several other people attending last evening's dinner, the Kansas Center for Rural Initiatives would like to express strong concern for Substitute for Senate Bill 183. The Community Strategic Planning Assistance program has two major components: a Planning Grant phase and an Action Grant phase. Counties who complete the development of a strategic plan are eligible for the Action Grant phase. Our concerns focus on the following.

The need for a Community Strategic Planning Assistance program is quite strong in Kansas, particularly for Action Grant funds to focus on implementation activities. When this program was established in 1990, 99 counties were eligible to compete for Planning and Action grants. Today, Kansas should be pleased that approximately 78 counties of the 99 eligible have completed strategic plans for economic development. This has been the first stage of this program.

However, for the second stage of the program, approximately 40 of the 99 counties eligible have been funded with Action Grants. The concern is that the 59 remaining counties have not had the opportunity to access Action Grant funds.

Action Grants have provided a tremendous stimulus to local economic development activities. Across the state these 40 counties have utilized the funds for implementing their strategic plans which are matched with local funding. Projects have included: business retention and promotion programs, tourism development, industrial development recruitment and promotion, housing, youth development, and leadership development.

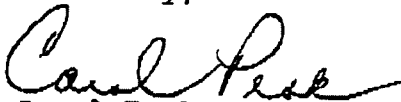
We urge the house committee to continue its support for rural communities who are working to improve their local and our state

Economic Development
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Attachment 4

economy. We urge the committee to oppose reducing the level of funding which would be allocated to Planning and Action grants as proposed by Substitute for Senate Bill 183. We would, however, be very supportive of utilizing any un-allocated funds in the Community Strategic Planning Act grant program for urban neighborhood revitalization programs.

The Kansas Center for Rural Initiatives is very sensitive to the need for urban neighborhood revitalization programs. After all, rural areas and urban areas are dependent on one another to create a strong economy and quality of life for all of Kansas. We would be very supportive of a legislative initiative which supports urban neighborhood revitalization.

Sincerely,


Carol Peak
Director


Beth Tatarko
Assistant Director

EDIF Subcommittee Report to Economic Development Committee

We are submitting the following prioritized list of Economic Development Initiative Fund appropriations as it relates to the relative importance to economic development. Since the start of the EDIF fund, there has been a concentrated effort to siphon away the funds to other than Eco Devo activities. There is a continual shifting of State General Fund responsibilities to EDIF.

Priority I

We have grouped the most important and effective expenditures in Priority I. The three departments charged with developing and implementing the program: The Department of Commerce, KTEC, and Kansas Inc. are by necessity the first on the list. While we have not attempted to prioritize each line item within the departments, we believe that all of these expenditures fit the parameters that were considered. We would point out, however, that there has been a continual shift of salaries, wages, and other operating expenditures from SGF to EDIF. The other items in this category include the statutorily approved State Water Plan Fund, the State Library Literary Grants program to improve workers' reading skills, the Matching Grants, and the Capital Outlay Aid for Vocational training and equipment necessary for the training.

Priority II

Marketing Kansas and Kansas products are important Eco Devo functions and are performed by the Board of Agri Value Market promotion and the State Fair.

Priority III

Quality of Life components make up the third priority area and a case can be made for their inclusion. Industries, small businesses, and citizens want to locate where the quality of life is appealing to them, however, these appropriations should be shared by the SGF.

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Priority IV

This list is of those agencies or projects that should not be included in EDIF. The Education funding is simply an attempt to shift the burden from SGF without any tie to economic development. This appropriation is for State funded basic school aid. This item would be paid out in large segments and could disrupt the funding for other regularly funded legitimate projects.

The Hillsdale project should not be funded from this source. They should probably be looking at a fee structure for a source of funding.

Reappraisal was included in the early funding for a two-year period with one extension. That project is over, but the funding has not been. It should be.

KDOC&H, KTCC, and Kansas, Inc. have made an attempt to prioritize their activities within their own budgets. They have been asked to further refine this process by the appropriations subcommittee. We have not attempted to prioritize each line item within the budget of these agencies, but simply place them all in the first priority list.

The State Water Plan Fund is there by statute. The case for their inclusion was made by a previous legislative body.

The Library Literary program, Vo Tech Matching Grants, and Vo Tech Capital Outlay fund help meet one of the real needs of training and retraining for workers to go into the workforce.

We believe that there should be emphasis placed on those funds where other funding sources could be leveraged. There is a cap on EDIF funding at \$45,000,000. All money above that amount would go to the SGF. We must make sure the original intent of the Legislature and the people by their vote that 90 percent of the state gaming funds go directly to economic development initiatives.

EDIF Subcommittee:

Representatives: Bill Mason, Chair
Gary Boston
George Dean
Les Donovan
Rick Lahti

Bill Mason
Gary Boston
George Dean
Les Donovan
Rick Lahti

REPORT OF HOUSE SUBCOMMITTEE ON THE ECONOMIC DEVELOPMENT INITIATIVES FUND

Bill No.	Agency/Program	Governor's Rec. FY 95	House Rec. FY 95	Senate Rec. FY 95
PRIORITY #1 – CORE ECONOMIC DEVELOPMENT PROGRAMS				
79-4804	State Water Plan Fund	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
H.B.2731	Department of Commerce and Housing			
	Salaries and Wages	\$ 1,411,335	\$ 1,705,435	\$
	Other Operating Expenditures	3,755,737	3,830,737	
	Small Business Development Centers	325,000	325,000	
	Certified Development Companies	475,000	475,000	
	Kansas Industrial Training/Retraining	2,227,500	2,727,500	
	Trade Show Promotion Grants	247,420	247,420	
	Strategic Planning/Action Grants	440,550	440,550	
	Kansas Quality Improvement Network	65,000	65,000	
	Capital Resource Network	--	--	
	Travel Information Center Repairs	24,000	24,000	
	Olathe Travel Center	750,000	750,000	
	Economic Initiative Opportunity Fund	--	4,467,000	
	Kansas Partnership Fund	--	--	
	High Performance Incentive Grants	--	75,000	
	Tourism Grants	279,600	279,600	
	Subtotal – KDCH	\$ 10,001,142	\$ 15,412,242	\$ --
H.B.2731	Kansas Technology Enterprise Corporation			
	Agency Operations	\$ 830,681	\$ 830,681	\$
	Centers of Excellence	4,267,386	4,267,386	
	Research Matching Grants	1,259,613	1,259,613	
	Business Innovative Research Grants	25,000	50,000	
	Training Equipment Grants	150,000	150,000	
	Industrial Liaison Program	300,000	300,000	
	Seed Capital	1,500,000	1,500,000	
	Special Projects	103,000	103,000	
	Commercialization	520,218	900,000	
	Innovative Technology Program (ITEC)	120,000	95,000	
	Agricultural Value Added Center	880,281	880,281	
	Mid-America Manufact. Tech. Center	1,000,000	1,000,000	
	Telecommunications Grants	125,000	125,000	
	Subtotal – KTEC	\$ 11,081,179	\$ 11,460,961	\$ --
H.B.2731	Kansas, Inc.			
	Agency Operations	\$ 116,889	\$ 116,889	\$
	EPSCoR	2,000,000	2,000,000	
	Economic Impact Model	--	100,000	
	Subtotal – Kansas, Inc.	\$ 2,116,889	\$ 2,216,889	\$ --
H.B.2640	State Library – Literacy Grants	\$ 277,200	\$ 277,200	\$
H.B.2701	Department of Education			
	Matching Grants – AVTS	\$ 495,000	\$	\$
	Capital Outlay Aid – AVTS	1,500,000		
	Subtotal – Education	\$ 1,995,000	\$ --	\$ --
TOTAL – PRIORITY # 1		\$ 27,471,410	\$ 31,367,292	\$ 2,000,000
PRIORITY #2 – PROMOTION AND MARKETING				
H.B.2753	Board of Agriculture – Market Promotion	\$ 321,707	\$ 321,707	\$
H.B.2753	State Fair – Agency Operations	\$ 99,000	\$ 99,000	\$
TOTAL – PRIORITY # 2		\$ 420,707	\$ 420,707	\$ --
PRIORITY #3 – QUALITY OF LIFE				
H.B.2640	Kansas Arts Commission – Prog. Grants	\$ 1,024,650	\$ 1,024,650	\$
H.B.2640	Historical Society – Agency Operations	\$ 19,700	\$ 19,700	\$
H.B.2640	State Library – Library Grants	\$ --	\$ 429,965	\$
H.B.2640	Dept. of Administration – Public Broadcasting Grants	\$ --	\$ 588,776	\$
	Dept. of Wildlife and Parks			
H.B.2753	Trails to Trails	\$ --	\$ 200,000	\$
Prev. Appro.	Wichita Conser. Education Center	302,337	302,337	
	Subtotal – Wildlife & Parks	\$ 302,337	\$ 502,337	\$ --
TOTAL – PRIORITY # 3		\$ 1,346,687	\$ 2,565,428	\$ --
PRIORITY # 4 – SHOULD NOT BE FUNDED FROM THE EDIF				
H.B.2701	Department of Education			
	At-Risk/Innovative Program Assist.	\$ 1,485,000	\$	\$
	Postsecondary Aid – AVTS	11,850,000		
	Subtotal – Education	\$ 13,335,000	\$ --	\$ --
H.B.2640	School for the Blind – Accessible Arts	\$ 150,000	\$ 150,000	\$
H.B.2753	Dept. of Wildlife and Parks – Hillsdale S.P.	\$ 100,000	\$ 100,000	\$
H.B.2731	Department of Revenue – Appraisal Aid	\$ 3,000,000	\$ 3,000,000	\$
TOTAL – PRIORITY # 4		\$ 16,585,000	\$ 3,250,000	\$ --

Economic Development Initiatives Fund
Its History and Use for Economic Development

Charles R. Warren, Ph.D.
President, Kansas Inc.
632 S.W. Van Buren Street
Topeka, Kansas 66603

January 10, 1993

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March 9, 1994
Attachment 6

Economic Development Initiatives Fund
Its History and Use for Economic Development

♦ ♦ ♦

Statutory Authority for the Economic Development Initiatives Fund

❑ Initial Establishment of State Gaming Revenues Fund

In 1986, the Kansas Legislature approved S.C.R. 1609 and H.C.R. 5024 which provided for a popular vote on the establishment of a state-administered lottery and pari-mutuel racing. The voters overwhelmingly approved both referenda. The Legislature also approved H.B. 2789 which created the State Gaming Revenues Fund (SGRF). This legislation was approved as an indication of how revenue generated by the lottery and pari-mutuel racing would be used.

The bill that established the SGRF also created three funds to which gaming revenues would initially be credited. The funds and their initial share of revenues were:

- ♦ Country Reappraisal Fund (30 percent)
- ♦ Juvenile Detention Facilities Fund and Correctional Institutions Building Fund (10 percent), and
- ♦ Economic Development Initiatives Fund (60 percent).

Reappraisal This fund was created for the purpose of "paying a portion of the costs incurred by counties in carrying out the program of statewide reappraisal of real property." [K.S.A. 79-4802]. The reappraisal fund was designed to be a temporary allocation to help pay for statewide reappraisal; it was not intended to reimburse counties for the on-going maintenance of reappraisal. This temporary nature was stated clearly and explicitly in statute [K.S.A. 79-4802]:

"No such transfer shall be made after June 30, 1990."

"On July 1, 1990, the county reappraisal fund is hereby abolished. The provisions of this section shall expire on July 1, 1990."

Corrections The Legislature created two funds to finance the construction and maintenance of correctional facilities. The original statute stated that these funds should be for the "use and benefit of state correctional institutions." These funds are subject to annual legislative appropriations.

Economic Development The Legislature also created the Economic Development Initiatives Fund which had as its purpose

"the financing of such programs supporting and enhancing the existing economic foundation of the state and fostering growth through the expansion of current, and the establishment and attraction of new commercial and industrial enterprises."

❑ Changes in Use of Gaming Revenues

Elimination of County Reappraisal Fund and Increase in Economic Development The distribution formula of the gaming revenues fund, as originally created, was designed to change as of July 1, 1990. At that date, the County Reappraisal Fund was sunset and its 30 percent share of gaming revenues transferred to the Economic Development Initiatives Fund. From fiscal years 1991 through 1994, the Kansas Legislature has nevertheless appropriated \$3,000,000 annually from the EDIF for county reappraisal. No statutory authority exists for the appropriation or expenditures of EDIF monies for this purpose.

State Water Plan In 1989, the SGRF authorizing statute was amended to provide for an annual transfer of \$2,000,000 from the EDIF to the State Water Plan Fund created by K.S.A. 82a-951. This fund supports the management, conservation, and development of the state's water resources as required under the State Water Resources Planning Act (K.S.A. 82a-901 et seq.). The Kansas Water Office is responsible for the development of a statewide water resources plan.

❑ Existing Gaming Revenues Distribution

Under existing state law, the authorized purposes for state gaming revenues and the respective allocations are:

- ♦ Economic Development – 90 percent of funds minus State Water Plan allocation
- ♦ State Water Plan Fund – \$2,000,000 annually from the EDIF
- ♦ Corrections and Juvenile Detention – 10 percent of funds

Appropriations and expenditures outside of these three major purposes are not within the statutory authority of the gaming revenues fund.

These allocations have been reaffirmed by vote of the Kansas Legislature. In 1991, Governor Finney submitted H.S. 2455 to the Legislature to modify the allocation of gaming revenue funds, reducing the amount available for economic development from 90 percent to 65 percent. This bill was defeated by the House.

Definition of Economic Development

The EDIF has been used to fund a wide variety of programs and projects that have had little relationship to economic development. This allocation of funds occurs principally because of differences in opinion over the definition of economic development.

□ Statutory Attempts to Define "Economic Development"

No exact definition of economic development exists in statute. The legislation that established the EDIF does not specifically outline what programs or initiatives qualify as "economic development." The law does state the EDIF is to be used to finance programs that:

- ♦ support and enhance the existing economic foundation of the state, and
- ♦ foster growth through the expansion of current, and the establishment and attraction of new commercial and industrial enterprises.

The first phrase is a particularly vague and general definition and has been used by legislators to justify a wide range of expenditures, many of which have little, if any, direct relationship to economic development.

The enacting legislation attempted to provide a mechanism for distinguishing economic development initiatives from other expenditures. The legislation includes provision for three accounts into which all monies credited to the EDIF are to be deposited. These three accounts and their respective purposes are the:

- ♦ *Kansas Capital Formation Account* – "to provide, encourage and implement capital development and formation in Kansas"
- ♦ *Kansas Economic Development Research and Development Account* – "to promote, encourage and implement research and development programs and activities in Kansas and technical assistance funded through state educational institutions under the supervision and control of the state board of regents or other Kansas colleges and universities."
- ♦ *Kansas Economic Development Endowment Account* – "to provide an ongoing source of funds which shall be used for economic development activities in Kansas [including]... specific community infrastructure projects in Kansas that stimulate economic growth."

In 1988, Kansas Inc. prepared a report for the Legislature that outlined basic guidelines by which EDIF monies should be allocated. These criteria were approved by the Legislature through the adoption of H.C.R. 5326. The three criteria are:

- ✓ ♦ "expenditures from the state economic development initiatives fund should not be used for salaries of permanent personnel,
- ✓ ♦ the EDIF should not replace the state general fund as a source of financing established economic development programs since the purpose of the EDIF is to provide financing for economic development 'initiatives' and to enhance economic development in the state, and
- ✓ ♦ expenditures from the EDIF should be applied only to those programs and policies which clearly identify with a pillar of the economic development strategy of the state"

The three accounts and their stated purposes along with the adopted resolution provide the clearest window to the legislative intent of EDIF distribution.

□ Definition as Outlined in Economic Development Strategy

The 1986 "Redwood/Krider Report" provided a relatively clear outline as to what activities constitute "economic development." This outline was developed through a year-long research program that included the active support and involvement of the Kansas Legislature. This plan states that "the task for Kansas state government is to identify those limited but important areas where state involvement is *essential for economic success* and *establish the preconditions for business growth*" [emphasis added].

The plan contains 52 specific recommendations which are intended to achieve the following objectives:

- ♦ foster competitiveness of Kansas industry through innovation
- ♦ foster productive interrelationships and linkages among Kansas institutions but particularly the private sector, the state, and the universities
- ♦ encourage entrepreneurship in Kansas business
- ♦ establish a favorable business climate and infrastructure
- ♦ remove barriers to business development

A clear review of the specific recommendations defines quite clearly what constitutes the primary or core economic development activities in which the state should act to fulfill this specific state role.

This objective and strategies have been refined over the past several years to meet

the current challenges to business development. Kansas' current strategy similarly provides key goals for the state's economic development activities. The role of state government to aid those areas "essential for economic success" and "preconditions for business growth" still remains.

☐ The Definition's Application to Budget Appropriations

While legislation and the state's economic development strategy provide a fairly clear definition, there is still significant misinterpretation as indicated by EDIF appropriations. Two phrases in the enabling legislation of EDIF have been used to justify funding programs unrelated to economic development. The first is "*economic foundation*" and the second is "*economic development activities*"

The first term, "economic foundation," is excessively vague and has allowed for numerous interpretations. This term referred to the original 1986 economic development strategy prepared by The University of Kansas. This plan included reference to seven basic economic foundations that are:

- ♦ human capital
- ♦ financial capital
- ♦ infrastructure
- ♦ technology
- ♦ institutional capacity
- ♦ entrepreneurial environment, and
- ♦ quality of life.

These phrases, if loosely interpreted, cover most of the activities of state government. The inclusion of quality of life as a foundation, for example, has justified funding of arts and cultural programs and activities, and state historical programs.

A current and long-time senator who chairs a key committee that decides on EDIF appropriations has declared that "economic development is whatever 21 senators says it is." Thus, with no operational definition of economic development, EDIF monies have been used far beyond the original intent of the 1986 Legislature.

☐ Actual Use of EDIF Monies

The result of this misinterpretation is that while economic development was to receive 90 percent of the funds, it has only been allocated an average of 60 percent over the past several fiscal years. Financial support of economic development has been eroded further by the substitution of EDIF monies for state general fund financing of state economic development agencies.

Pressure on the State General Fund (SGF) has been relieved by shifting numerous state programs from that source of financing to EDIF. In Fiscal Year (FY) 1994, the following programs and amounts previously supported by the SGF were shifted to the EDIF:

<i>Dept. of Education</i>	
Innovative grants	\$1,486,000
AVTS Capital Outlay	990,000
AVTS Postsecondary aid	4,982,370
AVTS Matching grants	495,000
<i>Board of Regents</i>	
KSU--Extension	1,355,200
University Research	942,187
<i>Dept. of SRS</i>	
Kanwork	2,475,000
<i>Dept. of Wildlife & Parks</i>	
Capital Improvements	1,393,511
<i>Total</i>	\$14,119,268

The total amount of FY1994 dollars appropriated from the EDIF was \$50,668,027. The amounts shifted from SGF to EDIF represented 28 percent of the total. When reappraisal dollars at \$3 million are added to the SGF shifts, the percentage rises to almost 34 percent.

In Fiscal Year 1994, other beneficiaries of EDIF monies included the following state agencies that have at best, an indirect, role in economic development: Department of Administration (public television), Kansas Arts Commission, Heritage Cultural Center, Foundation for Agriculture, Historical Society, KU Medical Center, School for the Blind, State Fair, and the State Library. The only possible justification for this funding is a contrived assumption that each of the above enhance quality of life and thus contribute to business and job growth. The total FY1994 dollars appropriated to these agencies was \$4,188,254. When funding for these agencies is added to the agency funds shifted from SGF and to the dollars for reappraisal, the total allocated to non-economic development activities rises to \$21,307,522 or 42 percent of the EDIF.

❑ Funding of Economic Development Agencies and Programs

The agencies and programs directly involved in economic development are: The Department of Commerce and Housing, the Kansas Technology Enterprise Corporation, Kansas Inc., and the Kansas Development Finance Authority. These agencies were appropriated the following amounts from EDIF in FY 1994:

KDOC&H	11,572,251
Partnership Fund	990,000
KTEC	10,990,241
Kansas Inc.	104,935
EPSCoR	1,485,000
KDFA	
Basic Loan Fund	990,000
Total	\$26,132,427

From this perspective, economic development expenditures represented only 52 percent of the total appropriations from the EDIF in FY 1994.

It should be emphasized that the statute calls for 90 percent of the state gaming revenues to be spent for economic development that amount for FY 1994 was \$50,668,027.

The shift from SGF to EDIF has also affected the economic development agencies. While funding generally increased during the first few years of gaming revenues, recent growth has been marginal as support is shifted from general funds to the EDIF. In FY1990, economic development activities received approximately \$9.6 million in state general fund monies and \$18.9 million in gaming revenues. By FY1993, the gaming revenues had increased to approximately \$22.6 million but the SGF contribution dramatically declined to slightly over \$2.5 million. Kansas Inc., Kansas Technology Enterprise Corporation (KTEC), and the Kansas Department of Commerce and Housing (KDOC&H) have had significant portions of their general operating budgets shifted from SGF to EDIF. KTEC is now solely funded by the EDIF and KDOC&H receives nearly all their salaries and wages and other operating expenses budgets from EDIF. Kansas Inc.'s budget, which has dropped in real terms over the past several years, has shifted from solely general fund monies to an equal split between SGF and EDIF.

EDIF As An Investment Account

As gaming revenues continue to increase and if "economic development activities" are more narrowly defined, is it reasonable to assume that the core state agencies and programs need annual support of \$50 million? It can be argued that the state's economic development

agencies, strictly defined, do not require such a large annual funding to perform their role effectively. Most would probably agree that if that amount were appropriated for expenditures in FY 1994 for economic development it could be a wasteful and inefficient allocation of resources.

The legislators who designed the EDIF were challenged by the fact that lottery and parimutuel revenues could not be estimated accurately and that the revenues were highly uncertain. For that reason, the economic development endowment account was created so that funds would be "accumulated and invested ... to provide an ongoing source of funds which shall be used for economic development activities in Kansas."

K.S.A. 79-4804 authorizes the Pooled Money Investment Board to invest and reinvest the funds in U.S. treasury notes and bonds, in interest-bearing time deposits in Kansas banks, other U.S. government insured accounts, or in government guaranteed loans or debentures.

These investments were envisioned as providing a growing endowment fund whose principal might be preserved and the earnings from the fund then used to support annual and one-time economic development expenditures. While EDIF monies have been invested and interest earned, the endowment account has never been allowed to accumulate any significant principal. EDIF monies have been expended almost entirely each fiscal year, with only of modest carryover balances from one fiscal year to the next.

If the EDIF had not been viewed as a source of extra or supplemental funding for the on-going activities of state government, by this time, a very significant amount would have accumulated in the economic development endowment account, and significant investments in activities that would stimulate economic growth and job expansion in Kansas would be possible today.

Suggestions for EDIF Reform

The predominant practice of using lottery and pari-mutuel funds has been to:

- ♦ finance state programs that are not related to economic development,
- ♦ supplant revenues from the state general fund,
- ♦ finance activities explicitly unauthorized in the EDIF statute, i.e., county appraisal, and
- ♦ provide financing for activities that cannot be justified for expenditure from other revenue sources.

This is poor public policy and disdains the state's commitment to support and enhance its

economic development agencies and programs.

The hypocrisy of the present arrangement is obvious. Kansas elected policy makers continually cite the "fact" that gaming revenues support economic development and job creation. Few among the Kansas public are aware that only little more than half of the funds are used directly for those purposes.

An obvious reform that would end the hypocrisy is to simply abolish the EDIF, transfer all of the gaming revenues into the State General Fund, and allow the programs now receiving funds from this source to compete with other state programs for support. To those who argue on general principle against dedicated funds, this reform has considerable merit. Since there is considerable political and public support for economic development, abolition of the EDIF would likely not have a damaging effect on economic development funding. Current funding levels would probably be maintained, but the likelihood of program enhancements or substantial one-time investments would be diminished.

Another possible avenue of reform would be to create more specific language defining economic development and setting criteria for EDIF appropriations. Some suggested changes might include:

1. Requiring that appropriations from the EDIF be used only for the purposes of fulfilling *A Kansas Vision: The 1993 Economic Development Strategy*, prepared by Kansas Inc.
2. Providing a statutory definition of economic development as: *Those programs and activities funded by Kansas state government that assist in the expansion, attraction, or retention of business or provide the conditions essential to the growth of private sector jobs and businesses*
3. Specifying the agencies and programs to which appropriations are authorized, for example:
 - ♦ The Kansas Department of Commerce and Housing
 - ♦ The Kansas Technology Enterprise Corporation
 - ♦ Kansas Inc.
 - ♦ The Kansas Development Finance Authority
 - ♦ State matching funds for university research and development.
 - ♦ Capital outlays for research and training equipment utilized in Kansas universities, colleges and vocational-technical institutions
 - ♦ Supplemental or enhanced funding of economic development programs of Kansas universities, community colleges and vocational-technical institutions
 - ♦ Adult basic education and literacy programs of the State Board of

- ♦ Education or State Library
 - ♦ School to work transition programs of the State Board of Education
4. Establishing a binding, statutory commitment for investment of EDIF monies into permanent funds, such as:
- ♦ A *Kansas Economic Emergency/Opportunities Fund* for expenses related to the retention, expansion or attraction of major, private sector commercial enterprises. This fund could be supported under existing authority of K.S.A. 79-4804(d)
 - ♦ A *Futures Fund* for state matching grants to federal research and development grants made to the Regent's universities, for example, National Science Foundation and other federal agency EPSCoR grants. This fund could be supported under existing authority of K.S.A. 79-4804(c)
 - ♦ A *Business Capital and Financing Fund* to provide annual investments in to venture capital funds, seed capital funds, such as Ad Astra, or loan loss reserve and guaranty funds, such as the Basic Enterprise Loan Fund, or the Export Finance Program. This fund could be supported under existing authority of K.S.A. 79-4804(b).
5. Require either the standing economic development/commerce committees or the Joint Committee on Economic Development to recommend the allocation of EDIF monies prior to their appropriation.