Approved: March 21, 2002
Date

MINUTES OF THE HOUSE NEW ECONOMY COMMITTEE.

The meeting was called to order by Chairman Mason at 3:40 p.m. on March 14, 2002 in Room 522-S of the Capitol.

All members were present except:
Representative Kuether - E
Representative Beggs - E
Representative Steve Huebert - E
Representative Judith Loganbill - E
Representative Winn - E
Representative Welshimer - E

Committee staff present:
April Holman, Legislative Research Department
Deb Hollon, Legislative Research Department
Bob Nugent, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Steve Kelly - KDOC&H

Others attending:
See attached list

The Chairman introduced Tracy Taylor, the new President of KTEC.

Staff explained the flow of funds through the State Gaming Revenue Fund into the Economic Development Initiative Funds (Attachment 1). The status of the Problem Gambling Grant Fund, a new program (2001), administered by SRS was questioned and staff agreed to provide additional information. The amount of dollars from the EDIF funds being used for Education was reviewed. (FY 2003 - $9.4 million per the Governor's recommendation)

Staff reviewed revenue source dollars (1994-2003) from SGF, EDIF and Federal Funds for KDOC&H, KTEC and Kansas, Inc.(Attachment 2). Percentages of increases/decreases in each agency were listed. The Chairman requested the data, anticipating that perhaps they could find programs or areas in the budget that could be delayed 1, 2, or 3 years to help the immediate budget shortfall for next year. He suggested that Committee members review the information and email their questions or ideas to him prior to the next meeting. He pointed out the differences in growth and funds between KDOC& H and KTEC and Kansas, Inc.

KDOC&H's staff answered questions regarding Federal funds, stating that there was little flexibility, due to specific guidelines for housing, community development and schools to career programs. Discussion followed regarding the flexibility of dollars and what line items are covered with EDIF dollars.

It was suggested that the Lottery Fund overages should be reflected in the report to the Appropriations Committee. The Chairman encouraged the member's to review the material presented and provide their feedback for the response letter to Chairman Wilks.

The Chairman opened **SB 565** for discussion. Staff explained the differences between that bill and **HB 2962** which lowers the thresholds for IMPACT funds. The underlying **SB 565** raised the percentage of individual withholding taxes that would pay for the bonds from 1% to 2%. The fiscal note was reviewed. Passage of the bill would reduce the SGF by $1.8 million in fiscal year 2004 and $2.9 million in fiscal year 2005. The bill would not have any fiscal impact in 2003, if the cap was raised from 1% to 2% on the debt service.

Mr. Kelly provided an information sheet regarding the fiscal effect of SB 565 as amended by the Senate, that included an analysis of bill and the impact on the agency (Attachment 3) . He explained the reasons for the discrepancies between KDOC&H and KDFA figures and the importance of the bond issuance timing. In the original bill it was anticipated that it would be in fiscal year 2005 before another bond issuance was needed, however with the change in the thresholds the impact was not clear. He described the methodology KDFA used to determine the fiscal impact, noting that they believe those figures are questionable. He reviewed the department's history for bond issuances and explained the methodology used to determine the positive fiscal impact from the projects, as reflected on page 2 of his testimony. Although their projections do not show a need for additional bond issuance for 2003, they would support an increase of .5 % in 2004 and the other half to follow, if that would lesson concerns of the Committee.

Discussion followed regarding the importance of showing the positive impact of bills as well as the revenue drain.

Representative Cox moved that the amendment to increase the percentage from 1% to 2% be phased in, placing the first half in 2004 and the second half in 2006 be accepted. Representative Novascone seconded. Discussion followed clarifying the timing and staff reiterated that it would be 1.5% for FY 2004 and 2% FY 2006. The motion carried.

Representative Gordon moved, seconded by Representative Compton that **SB 565** be passed out favorably. The motion carried.

The meeting adjourned at 4:15 p.m.