

Approved On: _____

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on March 4, 1988 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Representative Roe moved, second by Representative Pottorff, to introduce a bill that has been requested by the Department of Revenue. The motion carried.

Senator Bond explained the purpose of HB-2959 - AN ACT relating to financing of certain facilities or improvements by municipalities; concerning use of countywide and city retailers' sales tax proceeds. He then introduced Ed Eilert, Mayor of Overland Park, who testified as a proponent for this bill. (Attachment 1) He said additional funds are needed to acquire more facilities for Overland Park's growing tourism industry. Committee members questioned whether this could be accomplished if the property tax rate was increased. He also wants the city to be able to issue revenue bonds secured by sales tax revenues and proceeds of its transient guest tax.

Mr. Philip Wolfe, bond counsel to the City of Overland Park, also spoke as a proponent and said the city wishes to issue its sales tax revenue bonds to finance the costs of constructing a public convention center. Because private persons would likely use it for conventions and other public gatherings, the city is unable to issue its sales tax revenue bonds to finance the project. (Attachment 2) Nick Jordan, Director Overland Park Convention & Visitors Bureau, and Mary Birch, Executive Vice President & General Manager of the Overland Park Chamber of Commerce, presented written testimony supporting HB-2959. (Attachments 3 and 4) This concluded the public hearing on the bill.

The committee then discussed a proposed amendment to HB-2948 - AN ACT relating to sales taxation; prescribing certain duties for the Department of Revenue relating to letter rulings and bond and registration certificate requirements. Representative Pottorff moved, second by Representative Fuller, to adopt the proposed amendment. The motion passed. Representative Gatlin proposed a substitute motion, second by Representative Charlton, to return Section 2 and 3 of the bill to the original language. The motion failed. Representative Rolfs said he believes Section 3 should be deleted. Representative Wunsch moved, second by Representative Charlton, to strike section 3 of HB-2948. Motion carried. Representative Pottorff moved, second by Representative Fuller, to pass favorably HB-2948 as amended. The motion carried.

Chairman Rolfs discussed his committee plans for the next week and announced discussions on tax reform would be taken up after March 14. The minutes of March 2 were approved. There being no further business, the meeting was adjourned.



Ed C. Rolfs, Chairman

REMARKS BY MAYOR ED EILERT
BEFORE THE KANSAS LEGISLATURE

MARCH 4, 1988

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

MY NAME IS ED EILERT, AND I AM THE MAYOR OF OVERLAND PARK. I AM APPEARING BEFORE YOU TODAY ON BEHALF OF THE OVERLAND PARK CITY COUNCIL IN SUPPORT OF HOUSE BILL 2959.

TO FURTHER DEVELOP THE CITY'S TOURISM INDUSTRY, THE CITY OF OVERLAND PARK IS PRESENTLY NEGOTIATING TO ACQUIRE AN EXISTING EXHIBITION HALL AND TO CONSTRUCT AN ADJOINING CONVENTION CENTER FACILITY. IN ORDER FOR THIS TO OCCUR, THE CITY IS REQUESTING TWO AMENDMENTS BE MADE TO K.S.A. 1987 SUPP. 12-195 THAT WOULD BE APPLICABLE ONLY TO OVERLAND PARK.

AS YOU ARE PROBABLY WELL AWARE, THE TOURISM INDUSTRY HAS GROWN TREMENDOUSLY IN THE STATE OF KANSAS OVER THE PAST FEW YEARS. OVERLAND PARK HAS ALSO EXPERIENCED A SIGNIFICANT IMPACT ON ITS LOCAL ECONOMY. IN 1987, THE VISITORS' IMPACT TO OUR CITY HAS BEEN ESTIMATED TO BE ALMOST \$300 MILLION.

IT IS THE CITY'S INTENTION TO ISSUE SALES TAX REVENUE BONDS FOR THIS PROJECT. HOWEVER, K.S.A. 1987 SUPP 12-195 CURRENTLY PROHIBITS ANY CITY OR COUNTY TO ISSUE SALES TAX REVENUE BONDS FOR ANY FACILITY WHICH IS TO BE USED FOR

COMMERCIAL OR RETAIL ACTIVITY. THE FIRST AMENDMENT (LINES 35 THROUGH 39) WOULD ALLOW THE OVERLAND PARK CONVENTION CENTER AND EXHIBITION HALL TO BE EXCLUDED FROM THAT PROHIBITION. THE REASON FOR THIS REQUEST IS THAT MANY OF THE TRADE SHOWS CURRENTLY UTILIZING THE EXHIBITION HALL ENGAGE IN RETAIL ACTIVITY. IF THE CITY WERE TO ACQUIRE THE EXHIBITION HALL WITH SALES TAX REVENUE BONDS, THESE TRADE SHOWS WOULD BE PROHIBITED, WHICH WOULD RESULT IN A LOSS OF REVENUE TO THE CITY, COUNTY AND STATE.

SECOND, THE CITY WISHES TO PLEDGE A PORTION OF ITS TRANSIENT GUEST TAX TOWARD THE REPAYMENT OF THE BONDS. YET, THE CITY IS PROHIBITED FROM DOING SO BECAUSE THE STATUTE REQUIRES THAT THE BONDS SHALL BE PAYABLE SOLELY AND ONLY FROM THE REVENUES DERIVED FROM THE COLLECTION OF SUCH LOCAL SALES TAXES. THE CITY IS REQUESTING TO BE EXEMPTED FROM THAT REQUIREMENT (LINES 114 THROUGH 120).

WHILE THE CONVENTION CENTER AND EXHIBITION HALL PRESENTS A SIGNIFICANT ECONOMIC DEVELOPMENT OPPORTUNITY FOR THE CITY OF OVERLAND PARK, THE STATE OF KANSAS WOULD ALSO BENEFIT TREMENDOUSLY. FOR EXAMPLE, BASED UPON THE LAVENTHOL & HORWATH REPORT THAT WAS DONE FOR THE CITY, IT IS ESTIMATED

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THE ECONOMIC IMPACT DIRECTLY ATTRIBUTABLE TO THE CONVENTION CENTER IS AN ADDITIONAL \$122 MILLION IN RETAIL SALES OVER THE FIRST FIVE YEARS, WHICH REPRESENTS AN ADDITIONAL \$5 MILLION IN REVENUE TO THE STATE IN SALES TAX COLLECTIONS. IF ONE ASSUMES A ROLL-OVER RATE OF THREE TIMES, INDUSTRY STANDARDS RANGE FROM 5 TO 7 TIMES, THE AMOUNTS BECOME \$366 MILLION IN RETAIL SALES AND \$15 MILLION IN STATE SALES TAX COLLECTIONS. THESE FIGURES DO NOT TAKE INTO ACCOUNT THE ECONOMIC IMPACT OF ADDITIONAL EMPLOYMENT AND CAPITAL GOODS.

THANK YOU FOR THE OPPORTUNITY TO SPEAK TO YOU TODAY.

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Philip B. Wolfe
Testimony regarding
House Bill No. 2959

March 4, 1988

Mr. Chairman, Ladies and Gentlemen, my name is Philip B. Wolfe, bond counsel to the City of Overland Park, Kansas, and I'm here to testify on House Bill No. 2959. As you know, House Bill No. 2959, if adopted into law, would make 2 principal technical amendments to K.S.A. 1987 Supp. 12-195. K.S.A. 1987 Supp. 12-195 provides that any city or county which is the recipient of funds derived from a local option sales tax pursuant to K.S.A. 12-187 et seq. is authorized to issue revenue bonds to finance the cost of "public facilities and improvements" for which such city or county is authorized to issue general obligation bonds, excluding any facilities or improvements to be used for commercial or retail purposes.

As the Mayor of the City of Overland Park has testified, the City wishes to issue its sales tax revenue bonds to finance the costs of constructing a public convention center (the "Project") to serve the City and its citizens and patrons. The City has the authority to issue its general obligation bonds to finance the Project. Because of the nature of the Project, the City firmly believes that it will be conducive to the continued growth and development of the City. Unfortunately, at least in terms of K.S.A. 1987 Supp. 12-195, because private persons would likely hold conventions and other public gatherings in the center, at which food concessions and other commercial and retail activities would be conducted, the City finds itself unable to issue its

sales tax revenue bonds to finance the Project. Accordingly, the amendments offered on lines 0035 through 0039 of H.B. No. 2959 would allow Overland Park to issue its sales tax revenue bonds to finance the Project. However, the amendment would not allow the City to issue such bonds pursuant to the act to finance facilities to be used exclusively for commercial or retail purposes.

In addition, the City wishes to amend K.S.A. 1987 Supp. 12-195 to clarify its ability to issue its revenue bonds secured by not only its sales tax revenues but other legally available revenues such as the proceeds of its transient guest tax to finance the Project. Because of the nature of the Project (i.e., a convention center), the City wants to be able to pledge transient guest tax proceeds to the payment of its revenue bonds issued to finance the Project. Depending on the size of the final Project and the condition of financial markets at the time of the sale and issuance of the bonds, the City feels, based upon the advice of its financial advisor, that a double-barreled pledge (i.e., both sales tax and transient guest tax revenues) might well enhance the marketability of the City's bonds.

The Attorney General in his Opinion No. 87-185 dated December 29, 1987, concluded that such a pledge would be permissible under K.S.A. 1987 Supp. 12-195. In fact, the Attorney General found that the statute might be argued to contemplate the use of other revenues to secure such revenue

bonds. (Please see Section 1.(b)(1) of K.S.A. 1987 Supp. 12-195.) Unfortunately, Section 1.(b)(4) provides that it "shall be plainly stated on the face of each bond" that it is "payable solely and only from the revenues derived from the collection of such local sales taxes. . . ."

As the Attorney General pointed out in the aforementioned opinion, the City's ability to pledge revenues other than sales tax revenues to the payment of its bonds issued under the authority of K.S.A. 1987 Supp. 12-195 is inconsistent with the requirement contained in Section 1.(b)(4) of the statute that such bonds must state that they are payable "solely and only" from sales tax revenues. Given this inconsistency, the Attorney General found the intent of the statute, at least as to this point, obscure. The amendment offered at lines 0114 through 0120 would correct this ambiguity by requiring that it be plainly stated on the face of each revenue bond issued that such bonds are payable solely and only from the revenues pledged to the payment of the bonds.

Thank you for your kind attention. If you have any questions of me I'd be happy to attempt to answer them.



LEGISLATIVE TESTIMONY
HOUSE TAXATION COMMITTEE

HB 2959

FRIDAY MARCH 4, 1988

BY

NICK JORDAN, DIRECTOR

OVERLAND PARK CONVENTION & VISITORS BUREAU

My name is Nick Jordan and I am Director of the Overland Park Convention & Visitors Bureau.

We are testifying in support of HB 2959.

The visitor industry in Overland Park and Johnson County has grown dramatically in recent years. According to the U. S. Travel Data Center in Washington, D.C. visitor spending exceeded \$383 million in 1985 which was a 150% increase over 1981. Overland Park alone realized a \$289 million impact by visitors in 1987.

The visitor industry offers a tremendous economic development opportunity not only for the Overland Park/Johnson County area, but for the state.

Besides the visitor impact in spending, the tax base was broadened. Visitors contributed approximately \$15.5 million to the state tax coffers and \$5 million to local tax coffers in 1985 according to the U. S. Travel Data Center.

HB 2959 allows economic growth to continue for several reasons:

- (1) A regional convention center is almost a reality to serve Johnson County through a public/private sector arrangement.
- (2) We currently have a list of prime regional and state conventions who want to book the convention center. Many of the regional conventions have never been in Kansas and represent new dollars. Some of the state conventions are thinking of going over the state line to find adequate facilities. This means Kansas loses out on the spending and tax benefits.
- (3) According to Laventhol & Horwath the new convention center could eventually generate approximately \$1 million in tax revenues. This tax impact does not take into account the development of restaurants or other amenities that could be associated with the development of the center.

HB 2959 is important to allow the continued negotiations between the City of Overland Park and private enterprise to finalize plans through a unique financial package.

In light of the positive economic impact of this development, not only for Overland Park and Johnson County, but for the state of Kansas, we ask for your support of HB 2959.

Thank you for your consideration and, hopefully, for your positive action.



OVERLAND PARK CHAMBER OF COMMERCE

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March 4, 1988

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

WRITTEN TESTIMONY

RE: HB 2959

My name is Mary Birch. I am Executive Vice President and General Manager of the Overland Park Chamber of Commerce. I am writing to you on behalf of the 1,000 business firms in our membership who represent the voice of business in Overland Park.

We are requesting your support of HB 2959 for the following reasons:

1. A regional convention center in Overland Park to serve Johnson County is a near reality.
2. After nearly two years of extensive negotiations, this unique public/private partnership offers a rare opportunity for dynamic economic development.

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Attach 4

3. Using the most conservative figures, such a center would result in tax dollars and vast economic impact for Overland Park, Johnson County and the State of Kansas. This tax impact data does not even take into account the future prospects of added hotels, restaurants, etc. to the community and the State.

4. HB 2959 will enable the city of Overland Park to continue in the negotiation process and clarifies the legal ramifications of the very unique financing package needed to complete the project.

Increased commercial development in Overland Park and Johnson County has resulted in a new and expanding market. This in turn quite naturally has brought hotels, restaurants and retail business to service this base market. And now a regional convention center is needed to also service this market and the county.

The Overland Park community hopes you will concur and support the clarifying aspects provided in HB 2959. The resulting economic impact will be of benefit to all concerned.

Thank you for your time and consideration.