

Approved 4-5-89
Date

MINUTES OF THE House COMMITTEE ON Local Government

The meeting was called to order by Representative Robert D. "Bob" Miller at
Chairperson

1:38 a/m./p.m. on March 22, 1989n room 521-S of the Capitol.

All members were present except:
Representative Graeber, excused

Committee staff present:
Mike Heim, Legislative Research Dept.
Theresa Kiernan, Revisor of Statutes' Office
Connie Smith, Committee Secretary

Conferees appearing before the committee:

Senator Vidrickson
Tim Rogers, Executive Director of the Salina Airport Authority
Penny Geis, County Commissioner from Salina
George Wood, representing the Kansas Department of Transportation
Representative Jayne Aylward
John Falen, director of the Tri-County Airport Authority
Charles Rayl, attorney for the Tri-County Airport Authority
Mike Powers, Morris County Attorney

Chairman Miller called for hearings on SB 165.

SB 165 - An Act concerning airport authorities.

Mike Heim, staff gave an overview of SB 165.

Senator Vidrickson testified as a proponent and introduced Tim Rogers, Executive Director of the Salina Airport Authority.

Mr. Rogers recognized Representative Larry Turnquist; Penny Geis, Chairman of the Board of County Commissioners; Bob Ott, board member for the Salina Airport Authorities; Larry Bengtson, attorney for the Salina Airport Authority; Al Schwan, Schwan sales and Tony Pizza; Frank Norton, attorney for Schwan sales, and Jim Gregory, Beech Aircraft in Wichita who are in support of SB 165. Mr. Rogers asked the Committee to consider a proposed amendment to further limit the scope of the property tax exemption that will be granted to the airport authority in Salina. (Attach. I)

Chairman Miller called the Committee's attention to the letter of support from the Salina House delegation composed of Representative Lynch, Representative Aylward and Representative Turnquist. (Attach. II)

Penny Geis, County Commissioner from Salina, testified in support of SB 165. (No written testimony)

Discussion followed.

George Wood, representing the Kansas Department of Transportation, stated they supported the position of the Salina Airport Authority.

Representative Aylward added her support and requested the Committee to consider the proposed amendment.

John Falen, one of the directors of the Tri-County Airport Authority, recognized Fred Edmonson, Jerry Wendt and Charles Rayl. Mr. Falen testified in support of SB 165. (Attach. III) Discussion followed.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Local Government

room 521-S Statehouse, at 1:38 a/m./p.m. on March 22, 1989

Charles Rayl, attorney for the Tri-County Airport Authority, stated he is not opposing the way the bill is written, but is asking for clarification of the statute. He asked for a degree of fairness, so that all airport authorities are treated alike. (no written testimony) Discussion followed.

Mike Powers, Morris County Attorney, testified as an opponent for SB 165. (Attach. IV) Discussion followed.

Hearing closed on SB 165.

Chairman Miller called for discussion or a motion on SB 17.

A motion was made by Vice-Chairman Brown to pass SB 17 favorably; seconded by Representative Johnson. The motion carried.

Chairman Miller called for discussion or a motion on SB 14.

Theresa Kiernan, staff, submitted a proposed amendment to the Committee for consideration. (Attach. V)

A motion was made by Vice-Chairman Brown to make an amendment on page 1, line 29 striking everything after "wastes"; striking all of line 30 and 31 before the semicolon; seconded by Representative Baker. Discussion followed. The motion carried to amend SB 14.

A motion was made by Representative Johnson to amend SB 14 on page 3, following line 102 which allows for a protest petition of 30 days after the last publication; seconded by Vice-Chairman Brown. Discussion followed. The motion carried.

A motion was made by Representative Patrick to add a provision stating the amount of money to be paid by a municipality pursuant to a service agreement shall not exceed 50% of the bonded indebtedness of the municipality; seconded by Representative Baker. The motion carried.

A motion was made by Representative Patrick in lines 125 and 130 striking "may" and inserting "shall"; seconded by Representative Williams. The motion carried.

A motion was made by Vice-Chairman Brown to pass SB 14 as amended; seconded by Representative Johnson. The motion carried.

The meeting was adjourned.

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SENATE BILL NO. 165
Testimony Before the House Committee
on Local Government

Presented By:

Timothy F. Rogers
Executive Director
Salina Airport Authority

March 22, 1989

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SENATE BILL No. 165

By Senator Vidricksen

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AN ACT concerning airport authorities; amending K.S.A. 27-319 and repealing the existing section.

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

Section 1. K.S.A. 27-319 is hereby amended to read as follows: 27-319. (a) The governing body of any city to which this act applies is hereby authorized to establish and create, by adoption of an appropriate ordinance citing this act, an authority as herein provided to acquire, own, maintain, operate, improve, develop, lease and dispose of property in furtherance of the provisions of this act. An authority created hereunder shall have all of the powers, and only the powers, prescribed by this act. Such authority shall be a body corporate and politic constituting a public corporation and a tax-supported institution, agency and organization; and shall have the same immunities and exemptions. *Such authority shall be exempt* Except as provided in subsection (b), such authority shall have the same immunities and exemptions from the payment of costs, damages, charges, taxes and fees as are granted to the city levied by any other political or taxing subdivision of the state as are granted to the city. Such authority shall be managed and controlled by a board of directors consisting of five (5) directors to be appointed by the governing body of the city. The original board of directors of the authority shall be appointed at the time of the creation of the authority and one of said. One of such directors shall be appointed for a term of three (3) years, two for a term of two (2) years and two for a term of one (1) year, with the term of office of each such director to commence on the date of his or her appointment and. Each of said the directors shall serve until the expiration of his or her such person's term and until his or her a successor

3-22-99
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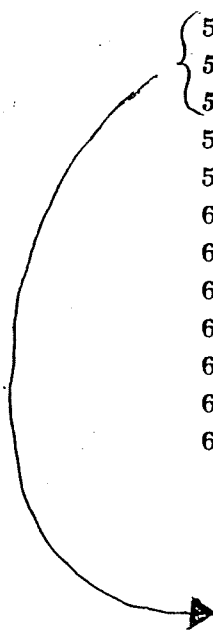
45 is appointed. The governing body of the city shall appoint successors
46 to the original and succeeding directors as the respective term of
47 each expires, each of whom shall serve for a term of three (3) years
48 and until his or her a successor is appointed. No director shall serve
49 as a director for more than eight (8) consecutive years. Vacancies
50 shall be filled for unexpired terms. Any director may be removed
51 by a majority vote of the governing body of the city from office for
52 reasonable cause. The directors shall not be compensated for services
53 rendered as such directors but shall be reimbursed in carrying out
54 their duties as such directors.

55 ~~(b) The Salina airport authority shall be exempt from the pay-~~
56 ~~ment of costs, damages, charges, taxes and fees levied by any other~~
57 ~~political or taxing subdivision of the state.~~

58 (b) (c) Upon the creation of an authority hereunder, the gov-
59 erning body of the city shall transfer all property and any funds
60 belonging to the city or to which the city may hereafter be entitled,
61 which are to be used for or are necessary for the operation of a
62 public airport, to the authority created hereunder.

63 Sec. 2. K.S.A. 27-319 is hereby repealed.

64 Sec. 3. This act shall take effect and be in force from and after
65 its publication in the statute book.
66



(b) The Salina airport authority shall be exempt from the payment of ad valorem taxes levied by any other political or taxing subdivision of the state on property owned by it on January 1, 1989 and which is located within the corporate limits of the city creating the authority.



Salina Airport Authority

SALINA MUNICIPAL AIRPORT/INDUSTRIAL CENTER

Chairman
KENNETH C. STEPHENSON

Vice Chairman
ROGER MORRISON

Secretary
CHARLES W. WALKER

Treasurer
CHARLES B. ROTH

Assistant Secretary / Treasurer
THOMAS J. KENNEDY

Executive Director
TIMOTHY F. ROGERS

Operations Director
DONALD C. KNEUBUHL

Board Attorney
L.O. BENGTSOON

March 16, 1989

Rep. Robert D. Miller, Chairman
House Committee on Local Government
Room 183-W
State Capitol
Topeka, KS 66612

Dear Representative Miller:

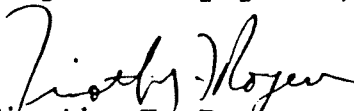
The Salina Airport Authority proposes the following amendment to Senate Bill 165 as amended by the Senate Committee on Local Government. Subsection (b) of the amended S.B. 165 would read as follows:

- (b) The Salina airport authority shall be exempt from the payment of ad valorem taxes levied by any other political or taxing subdivision of the state on property owned by it on January 1, 1989 and which is located within the corporate limits of the city creating the authority.

This amendment is proposed after consultation with the Saline County Commissioners. The intent of the new language is to limit the scope of the exemption from ad valorem taxes.

Thank you for your willingness to work with us on this issue.

Respectfully yours,


Timothy F. Rogers
Executive Director

TFR/cl

cc: Pennington Geis, Chairman
Board of County Commissioners, Saline County

Dennis Kissinger, Manager
City of Salina

Dr. Andy Tompkins, Superintendent of Schools
Salina Public Schools, U.S.D. 305

SESSION OF 1989

SUPPLEMENTAL NOTE ON SENATE BILL NO. 165

As Amended by Senate Committee on
Local Government

Brief*

S.B. 165 broadens the scope of the tax exemption for the Salina Airport Authority by providing the Authority shall be exempt from all costs, damages, charges, taxes, and fees levied by any other political or taxing subdivision.

The Senate Committee amended the bill to make it applicable only to the Salina Airport Authority. The current law provision regarding the tax exemption would continue for an airport authority established by the city of Herrington.

Background

The bill was supported by the Salina Airport Authority, the city of Salina, Saline County, the local school district, the Kansas Department of Transportation, the Salina Area Chamber of Commerce, and others.

S.B. 165 provides a tax exemption identical to that now provided for the Metropolitan Topeka Airport Authority under K.S.A. 27-330. The tax exemption will permit the airport to use property owned by it in any manner even though the property is not exclusively for a governmental or proprietary use and still qualify for the tax exemption.

* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

The Salina Airport Authority (SAA) was created by the City of Salina pursuant to enabling legislation KSA 27-315 through 27-326, enacted by the Kansas Legislature in 1965. The SAA was created to accept as surplus property portions of the former Schilling U.S. Air Force Base for the operation of a municipal airport and an industrial center.

KSA 27-315 through 27-326 applies to the Salina Airport Authority and the TriCounty Airport Authority created by the City of Herington. S.B. 165 was amended by the Senate to make it applicable only to the SAA. Other airport authorities in the State have been created pursuant to separate enabling statutes due to different circumstances surrounding each case. For example, the Wichita Airport Authority was created in order to transfer the operation of the Wichita Mid-Continent Airport from a board of park commissioners to an airport authority board. The Metropolitan Topeka Airport Authority was created by a city and a county. Both authorities required separate enabling statutes due to the specific needs of the local governments.

A look at the enabling legislation for the SAA will demonstrate that the Legislature intended that the Airport Authority would operate as a separate political subdivision of the State. Significant provisions of the Surplus Property and Public Airport Authority act are as follows:

27-316 Provides for the creation of a separate authority

because "of the unique problems which exist relative thereto" and that "the creation of an authority separate and distinct from cities and counties is necessary."

27-318 Under the definition of public airport, the act states that the definition of public airport ".....shall include property determined necessary for the operation, development, improvement, and maintenance of a public airport, including property needed to develop sources of revenue from nonaviation businesses of such public airport."
(emphasis added)

27-319 Provides that an airport authority shall be a body corporate and politic constituting a public corporation and a tax-supported institution, agency and organization, and shall have the same immunities and exemptions from the payment of costs, damages, charges, taxes and fees as are granted to the City.

27-322 Provides that with the consent of the governing body of the city, the authority may annually levy a tax not to exceed three mills. In addition to the three mill tax levy, the authority may levy a

one mill tax without the consent of the governing body of the city.

27-323 Details the conditions under which the authority can issue general obligation bonds, revenue bonds, industrial revenue bonds, and no-fund warrants.

The Salina Airport Authority was intended to operate as an independent and separate political subdivision of the State. Since it began operation, the authority has been self-sufficient and hasn't relied on taxpayers' dollars for operating revenue.

Since 1969 the Salina Airport Authority has applied and received tax exemptions from the Kansas Board of Tax Appeals (BOTA) for both real and personal property owned by the authority. The most recent exemption was granted in March, 1986.

Due to recent BOTA and court rulings, it is important to now clarify the SAA's tax exemption and provide the SAA with exemption language similar to that of the Metropolitan Topeka Airport Authority (MTAA). The recent BOTA and Court decisions have indicated that the SAA's past exemptions probably would not be approved in the future and could possibly be reversed. BOTA has previously ruled that the MTAA has specific statutory exemption for its property.

Should the SAA be required to pay property taxes, the whole funding formula for the authority would change. In order to meet the additional financial burden, it is reasonable to expect the SAA to levy both the three mills and the one mill it is authorized. This would put the SAA in direct competition with the City, County and school district for tax payers dollars. The SAA would prefer to maintain its ability to fund its operations through the development of the airport industrial center.

It is important to note that there is currently no dispute among the local government units of Salina and Saline County. The City, County and local School Board have all supported S.B. 165. The SAA is not currently involved in a property tax related litigation nor is liable for any past due taxes.

The Metropolitan Topeka Airport Authority was created in 1978, pursuant to KSA 27-327 through 27-337, in order to accept the former Forbes U.S. Air Force Base and operate it as a municipal airport and industrial center. The MTAA's tax exemption is spelled out clearly in KSA 27-330 which states:

(a) An authority created pursuant to the provisions of this act shall be a political and taxing subdivision separate and distinct from any other municipality, and shall be exempt from the payment of costs, damages, charges, taxes and fees levied by any other political or taxing subdivision of this state. (emphasis added)

By asking that Senate Bill No. 165 be enacted, the Salina Airport Authority is requesting that the Kansas Legislature clarify the tax exempt status of the authority by amending KSA 27-319 so it will contain a similar clear statement of tax exemption as contained in the MTAA's enabling statute.

The Airport Authority has discussed Senate Bill No. 165 with the Salina City Commission, the Saline County Commission, U.S.D. 305, and the Salina Area Chamber of Commerce. At this time, each entity has indicated no opposition to Senate Bill No. 165. Again, please note that S.B. No. 165 only affects the City of Salina and Saline County. This is indeed a local government issue with no opposition from either the City, County and local school district, or Chamber of Commerce.

Since S.B. 165 was passed by the Senate on a 39 to 0 vote, the SAA, City, County and school board have worked together to develop an amendment to S.B. 165. The proposed amendment limits the scope of the tax exemption originally proposed. This limitation answers local concerns over the loss of future tax base. The SAA exemption would continue for property currently already exempt. In practice the SAA will actually be able to enhance local base through the development of individual property. The enclosed resolution spells out the SAA's policy on the development of the Salina Airport Development Center.

In summary, the Salina Airport Authority has operated for the past 24 years with the benefit of property tax exemptions and without resorting to the use of mill levy funds for operations. The SAA has been able to develop and maintain an excellent municipal airport. The authority has also developed an industrial center which has succeeded in its role of replacing jobs and payroll lost due to the closing of Schilling A.F.B. Over the past 24 years the SAA has actually been able to enhance the City's and County's tax base by selling over 145 acres of property to industry. The SAA has recently completed water, sewer, and street improvements to an additional 77 acres intended for sale.

Retaining the property tax exemptions granted to the SAA over the past 24 years is vital to the continued growth of the existing industrial center tenants and vital to the development of new jobs and payroll for Salina and Saline County.

The SAA respectfully requests that the House Local Government Committee vote for approval of S.B. 165 and our proposed amendment. Your support is vital to the continued economic development of the City of Salina and Saline County.

Enclosures

1. Letters of Support for S.B. 165.

2. Resolution Concerning the Development of the Salina Airport Industrial Center.
3. Salina Municipal Airport - Salina Airport Industrial Center Manufacturers, Organizations and Agencies.
4. Salina Municipal Airport - Salina Airport Industrial Center Economic Impact Summary.



SALINE COUNTY

Board Meetings — Monday, Tuesday, Wednesday
Meeting Room 209 — Office Room 211 — 300 W. Ash

Salina, Kansas 67401-2396

Phone (913) 827-1961

Phone (913) 823-3746

COMMISSIONERS
Pennington Geis
First District

Roy W. Allen
Second District

Dennis E. Carlson
Third District

February 21, 1989

Senator Don Montgomery
Chairman of the Local Government Committee
Room 128 South
State Capitol
Topeka, KS 66612

RE: Senate Bill No. 165

Dear Senator Montgomery & Members of the Local Government Committee:

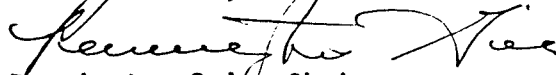
The Saline County Commission is in support of Senate Bill No. 165.

The Airport Authority in Salina has been a key factor in the positive economic growth of this County. Their ability in the past to operate the airport and to bring in new industry without levying taxes has been directly related to their exemption from paying property taxes.

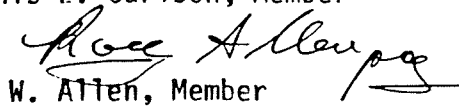
Members of the Airport Authority are fiscally conservative business people who are concerned both with developing industrial properties and with maintaining an equitable tax base in Saline County. We will be negotiating with the Airport Authority an agreement on the details of protecting the future tax base. We believe it is preferable to specify these agreements in a separate document as opposed to specifying them in the state legislation.

We ask your favorable action on Senate Bill No. 165. We believe it is an important economic development tool for our community. Thank you.

BOARD OF COUNTY COMMISSIONERS
SALINE COUNTY, KANSAS


Pennington Geis, Chairman


Dennis E. Carlson, Member


Roy W. Allen, Member



City-County Building
300 West Ash Street
P.O. Box 736
Salina, KS 67402-0736

February 28, 1989

The Honorable Don Montgomery
Chairman, Senate Local Government Committee
Room 128-S
State Capitol
Topeka, Kansas 66612

RE: Senate Bill 165

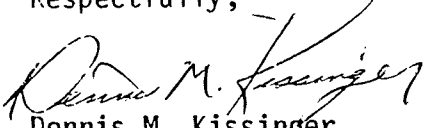
Dear Senator Montgomery:

At its February 27 meeting, the Salina City Commission unanimously authorized a letter of support for passage of Senate Bill 165, clarifying the tax status of the Salina Airport Authority.

The City Commission strongly supports this bill as proposed. The relationship among the City government, County government and Salina Airport Authority is outstanding. All the parties have agreed to cooperate in a Memorandum of Understanding as to local implementation and interpretation of Senate Bill 165.

The Salina City Commission asks your Committee's positive consideration of Senate Bill 165. We will be pleased to provide any further information or comment as you may desire.

Respectfully,


Dennis M. Kissinger
City Manager

DMK/1b

cc: Senator Ben Vidricksen
Salina Airport Authority

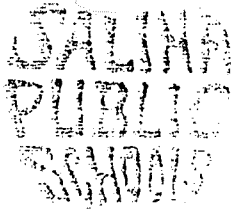
CITY COMMISSION

SYDNEY SODERBERG, MAYOR
ROBERT E. FRANK
VI JUSTUS
STEPHEN C. RYAN
JOSEPH A. WARNER

CITY MANAGER

DENNIS M. KISSINGER
(913) 823-2277

MEMBER . . . KANSAS LEAGUE OF MUNICIPALITIES • NATIONAL LEAGUE OF CITIES



Dr. Andy Tompkins
Superintendent

February 23, 1989

Senator Don Montgomery
State Capitol Building
Room 128 - S
Topeka, Kansas 66612

Dear Sen. Montgomery & Members of the Senate Local Government Committee:

As a follow-up to our phone conversation last Monday, I am writing in support of Senate Bill 165 which would clarify and assure continuance of the tax exempt status of the Salina Airport Authority. Our board and district are supportive of their role in serving this community and want to urge your support of this important piece of legislation.

Thanks for allowing us to speak on behalf of the bill and for your consideration of our view.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy Tompkins". The signature is written in a cursive style with a prominent initial 'A'.

Andy Tompkins
Superintendent of Schools

/mv

3-22-89
j-14

SALINA

AREA
CHAMBER OF COMMERCE

120 West Ash / P.O. Box 586
Salina, Kansas 67402-0586
Telephone (913) 827-9301

February 20, 1989

Chairman Donald L. Montgomery
Senate Local Government Committee
Kansas Senate
Topeka, Kansas 66612

Dear Chairman Montgomery:

In behalf of the Salina Area Chamber of Commerce, I would like to urge your support of Senate Bill No. 165 introduced by Senator Ben Vidricksen of Salina. We feel that this proposed legislation is important to clarify the tax exempt status of the Salina Airport Authority. Passage of this bill will provide for the continued economic growth of the industrial center located at the Salina Municipal Airport and will help provide stimulus for facility expansions at Beech Aircraft Corporation, Tony's Pizza Service, Holiday Mansion, and other major employers located in the Airport Industrial Area.

We realize that this bill is somewhat local in nature, however, please understand that economic development in Salina occurs through the combined efforts of the City Government, County Government, Airport Authority, and Chamber of Commerce. This bill is supported by all four entities. It is important for the continued development of the Airport area, and therefore the continued job creation that is important to all Kansans.

Thank you for your consideration and your committee's consideration of Senate Bill No. 165.

Sincerely,



Gerald Cook
President

GC/fa



**A RESOLUTION CONCERNING THE DEVELOPMENT OF
THE SALINA AIRPORT INDUSTRIAL CENTER**

WHEREAS, the Salina Airport Authority desires to be supportive to the economic development of the City of Salina and Saline County; and

WHEREAS, it is important to increase and develop the industrial base at the Salina Airport Industrial Center to support the maintenance and development of the Salina Municipal Airport and the Salina Airport Industrial Center; and

WHEREAS, the exemption of ad valorem taxes is a vital tool to meet competition in the very competitive field of industrial and economic development; and

WHEREAS, the many advantages of industrial development such as jobs, payrolls, home property tax, sales tax, and personal property tax greatly offsets the loss of corporate ad valorem taxes; and

WHEREAS, the Salina Airport Authority desires to work with local government in every way possible to secure new industry, support existing industry expansion and bring them into our overall community economy.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Salina Airport Authority:

Section 1. That the Board's intent is to develop additional industry that will ultimately become a part of the business community that supports all local government through the enhancement of the local tax base.

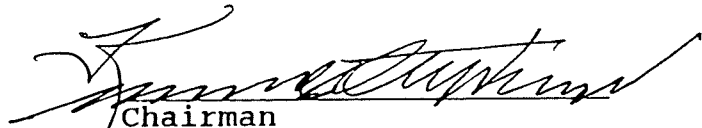
Section 2. In the event an industry requires that the Airport Authority build and lease back a facility, the Board will make its best effort to negotiate a lease which encourages the industry to ultimately purchase the facility and land.

Section 3. In regard to the development of the Airport Industrial Center Subdivision, the Board will make its best effort to sell 70% of the acreage to industry.

Adopted by the Salina Airport Authority Board of Directors on the 15th day of March, 1989.

Attest


Secretary


Chairman

**SALINA MUNICIPAL AIRPORT - SALINA AIRPORT INDUSTRIAL CENTER
Manufacturers, Organizations and Agencies**

SAA TENANTS

Kansas Highway Patrol
Tony's Pizza
Hertz Car Rental
Pony Express Courier
Moore's Midway Aviation
Salina Vortex
Kansas Army National Guard
The Landes Co.
Salina Vending
Jarvis Construction
Jar-Co, Inc.
Beech Aircraft
ADM Milling
S & K Motors
M & K Development
United International
Scientific Engineering
Federal Express
Blue Beacon International
Flower Aviation
Port-A-Port Hangars
Mid Kansas Trucking
Blick's Agri-Farm Center
Jim Palmer Trucking
Holiday Mansion
Klepper Oil Co.
Lynn's Trailer Services, Inc.
Federal Aviation Administration
Salina Snack Sales
Quivera Hunting Club
Saline County Bird Dog Association
Mid-States Armature
KASA Industrial Controls
AVIS Car Rental

PRIVATE DEVELOPMENT

Love Box Co.
Western Uniform and Towel
Richardson Transfer and Storage
Allied Mobile Power Wash
Diversified Sign
Luminous Neon Sign
Mr. G's
Salina Waste Systems
Xetec
Smoky Hill, Inc.
Triplett Storage
Lee Company

Dynamold
Halsey-Tevis, Inc.
Ord's Auto & Truck Repair
A & B Machine
Vidrickson Distributing Co.
McIntire Welding
Rickel Manufacturing
Harbin Construction
Superior Plumbing
Triangle Trucking
Wheat State Carriers
Belcher Co.

STATE AGENCIES

Kansas Vocational Rehabilitation Center
Kansas College of Technology
Occupational Center of Central Kansas
Salina Area Vocational Technical School

SALINA MUNICIPAL AIRPORT - SALINA AIRPORT INDUSTRIAL CENTER

Economic Impact (1987 Figures)

Total Number of Employees	2,919
Total Number of Students	1,351
Percent of Employees living in City	81%
Total Annual Payroll	\$46,170,209
Estimated Business Volume in 1987	\$133,535,339
Local Volume as a Percent of Total	47%
Estimated Annual Local Purchases for goods and services	\$17,211,378



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: INSURANCE
LABOR AND INDUSTRY
LOCAL GOVERNMENT

ELOISE LYNCH

REPRESENTATIVE, 71ST DISTRICT

705 S. SANTA FE

SALINA, KANSAS 67401

(913) 823-3594 HOME

(913) 296-7669 CAPITOL OFFICE

March 22, 1989

To: House Local Government Committee

From: Eloise Lynch
71st DistrictRe: Senate Bill 165 An act concerning the Salina
Airport Authority

The State Representatives of the city of Salina and Saline County support SB 165 which clarifies the tax exemption status for the Salina Airport Authority.

The Airport Authority has discussed SB 165 with the Salina City Commission, the Saline County Commission, U.S.D. 305, and the Salina Area Chamber of Commerce. Each entity has indicated no opposition to this bill. Only the city of Salina and Saline County are affected by S.B. 165. This is indeed a local government issue with no opposition from either the city, county and local school district or Chamber of Commerce.

The Salina Airport Authority has operated for the past 24 years with the benefit of property tax exemptions and without resorting to the use of mill levy funds for operations. The SAA has been able to develop and maintain an excellent municipal airport. The authority has also developed an industrial center which has succeeded in its role of replacing jobs and payroll lost due to the closing of Schilling A.F.B. Over the past 24 years the SAA has actually been able to enhance the City's and County's tax base by selling over 145 acres of property to industry. The SAA has recently completed water, sewer, and street improvements to an additional 77 acres intended for sale.

We ask for your favorable consideration of SB 165 with the amendment by the Salina Airport Authority.

Eloise Lynch *Eloise Lynch*Jayne Aylward *Jayne Aylward*Larry Turnquist *Larry Turnquist*3-22-89
Attach. II

John F. ...
A-1-1-1-1

The Delavan Army Air Base property was acquired from the United States Government by the City of Herington in 1948. The City managed the airport until 1978 when the Airport Authority was formed under the Kansas Surplus Property Act and the property was transferred by deed to the Authority in 1979.

I would like to take a few minutes to give you a brief description of the property and how we are managing to maintain the public airport.

I am sure you understand the Authority owns only from the ground surface down with the exception of the water tower and 2 maintenance buildings. (Point out tower, wells, sewage system, both TCPAA buildings)

PYRODEX This area of 60 some acres is leased to Pyrodex, a Hodgen of Kansas City Sporting Goods powder manufacturer, for \$676.00 per month. They are a very good tenant. Their property is on the Morris County tax roll with the new appraised valuation of \$49,300.00.

INSULFOAM This hangar houses the warehouse and shops of an insulation firm that has clientele of such firms as Boeing and McDonald Douglas. This building is valued at \$61,600.00. The parcel of land under this structure realizes us \$300.00 per year.

BEARDSLEE'S This long hangar is a private endeavor and has storage space for, I believe, 8 airplanes, plus a pilot lounge where there is a telephone for weather briefing or other needs of a pilot. We receive no monetary compensation for this acreage but do receive use of the lounge space in lieu of payment. This hangar is assessed at \$20,300.00.

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attach III

T HANGARS There are 3 privately owned single plane T hangars in this area. We receive \$48.00 annually for each site and they have a combined valuation of \$19,500.00.

NORTH HANGAR This largest hangar on the airport is owned and operated by MARC, Military Aircraft Restoration Corporation. It is a very interesting operation, doing just what the name implies, restoring old War Birds. They have restored the hangar and expanded the shop area. This is a new operation and we are quite excited about it. This hangar has an evaluation of \$131,000.00. We receive an annual payment of \$720.00.

SQUARE HANGAR This structure we call the "Square Hangar" and it is also owned by MARC. It is to be remodeled into their fiber glass shop. It is valued at \$20,700.00.

JR. HULTGREN This is the site of a dismantled hangar, which a salvage operator is now using. At this time we have a party seriously considering building a structure on the old footings and bringing a part-time operation here.

FEED LOT Probably the most conspicuous and with the most impact and importance to the economy of the community are the Black Diamond Custom Feeders. They have capacity for approximately 10,000 head of cattle which makes a good local market for corn, hay and silage. The feed lot itself encompasses nearly 300 acres plus another 135 acres for liquid disposal. We receive \$630.00 per month for lease of the land the feed lot is built on, plus the additional acreage. The new valuation for the Black Diamond property is \$144,000.00.

As a result of the feed lot, in 1988 taxes of nearly \$60,000 were paid to the Morris County Treasurer. I reiterate that the Airport Authority owns only the land and the leasing is handled in a manner similar to, for example, the leasing of a cabin site on a city lake.

These tenants of the property presently provide jobs for 35 people, enhancing the cash flow of the community and increasing valuation of other entities.

FARM LAND The balance of the property is used for agricultural purposes. The cultivated portion consists of 760 acres divided into 4 plots, each plot being leased to a different operator. The grass land consisting of 250 acres is being leased by 2 operators.

The income from the agricultural part of the property amounts to \$16,982.00 a year. We have had considerable herbicide expenses due to noxious weeds in the pastures and a bindweed problem on the cultivated land. Actually, our farming and feed lot operations are just beginning to get on their feet, again, as we've been blessed with bankruptcy settlements with some prior tenants.

These funds have all been used to pay necessary expenses for the operation of the airport. When the Airport Authority was established, there was a bonded indebtedness assumed, which we have retired. Some machines and tools have been acquired which are used for snow removal, grass mowing and every day maintenance. Recently a well maintained 10,000 square ft. former warehouse was acquired from the FDIC for \$2,500.00. This building is used as storage for this equipment plus the location of the Airport Authority office.

The total valuation of leasing tenants under the new reappraisal amounts to \$446,400.00. This does not include the Airport Authority property and will be assessed without question. The Airport Authority property, I believe, is valued at \$237,000.00, which makes our exempt claim only 1/3 of the total valuation. An interesting fact of the whole story is that the entire airport property lies in the Herington School District, making them the largest benefactor of the tax funds, and they are not fussing about it at all.

In summary, since the Airport Authority is funded by user fees and by user fees only, we feel we cannot support an adequate facility to service our community if we cannot enjoy tax exempt status. We have been able to accumulate a modest bank balance by virtually all of the maintenance labor being contributed by members of the Authority. This airport is the only facility within a 25-mile radius with an instrument approach and night lighting. This feature at one time on a dark night did guide a lady with an engine malfunction to a safe and to quote "probably life saving" landing. There is traffic here from ultra-lites to a B-17. In addition, there is military helicopter activity almost daily and at times military training exercises are held on the airport. The bulk of the planes using the field are cabin class corporate types relating to the industrial plants and contractors in Council Grove and other surrounding communities.

Are there any questions you would like to ask us? Thank you.

Testimony of: Board of County Commissioners, Morris County,
Kansas

Presentation by: Michael Powers, Morris County Attorney
and Bill Kassebaum, Assistant County Attorney

Re: S.B. 165 Exempting the Salina Airport Authority from
Taxation under K.S.A. 27-319

Position: Opposed

Morris County has concerns about this bill because a similar airport property is located in this County and the County Commissioners have a responsibility to prevent erosion of the tax base. The Commissioners feel there are serious questions which should be answered before this bill is passed out of committee. What policy does the state hope to achieve by this legislation? The bill's only purpose is to exempt the Salina Airport Authority (SAA) from ad valorem taxation. Should SAA property be exempt from taxation?

The current statutory provisions covering this issue have been the subject of recent litigation. Both the SAA and Tri-County Airport Authority in Morris County have filed court actions which made their way to the Kansas Court of Appeals. The Morris County case is still pending in that Court. Under the current laws, SAA property can only be exempt if it meets the requirements of K.S.A. 79-201a second which states that all state, municipal and political subdivision property is exempt from ad valorem taxes if it is "used exclusively" for governmental or proprietary functions. If the property is not "used exclusively" for such functions, then it is not exempt.

Thus, SAA property that is "used exclusively" for airport purposes is already exempt from taxation! The only property that is subject to taxation is that which is not used exclusively for governmental or proprietary functions. The bill you are considering would basically exempt all property that is owned by the SAA, regardless of its use. This in effect, would be doing away with K.S.A. 79-201a second. This statute is needed because it acts as a check on erosion of the tax base by limiting municipalities ability to acquire property which is not needed to fulfill their governmental or proprietary duties.

If municipally owned property is not serving a governmental or proprietary function and is not earning revenue then the property should be sold to the private sector where better use can be made of it. If the property is not serving a governmental or proprietary function and is earning revenue then the municipality can well afford to keep the property and pay taxes on it. In

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either situation, the public good is being served by not allowing erosion of the tax base.

It may be asserted that this bill deals with a special type of governmental entity or property. Specifically, an airport authority formed and operating under statutes regarding use of surplus Federal government property. But is this really a distinction? If Salina should be exempt why shouldn't Tri-County be? If these are exempted why shouldn't other airport authorities formed under this article be exempted also? They are basically the same and serve the same purpose. There is no valid policy rationale for excluding only the SAA and not other airport authorities from taxation. In fact, as mentioned above, there is no valid public policy rationale for excluding the SAA from ad valorem taxation!

Should the local school district be allowed to buy farm ground or rental properties, take them out of the private sector and reap profits without payment of taxes? This is basically what this bill would allow the SAA to do. K.S.A. 79-201a second allows exemption of SAA property, or any airport authority property, from taxation if it meets the standards of exclusive use. To ignore the standards of K.S.A. 79-201a second and start exempting municipal property whenever a municipal body requests, is a dangerous precedent to set. The state drifts far from any set policy of exemption and loses sight of what purposes exemptions should serve. Municipal exemption should be allowed only when legitimate governmental or proprietary functions are being carried out on the property itself. This is a test which is easily followed and easily enforced. To exempt property in a piecemeal fashion creates confusion and inequity. The benefits Saline County or the SAA may gain from this bill are not worth the potential negative long term impact on the rest of the state.

Proposed Amendment to Senate Bill No. 14
(As Amended by Senate Committee)

On page 3, following line 102, by inserting:

"(d) The governing body shall adopt a resolution stating its intent to enter a service agreement pursuant to this act. Such resolution shall be published once each week for two consecutive weeks in a newspaper of general circulation within the municipality. If within 30 days of the last publication, a petition signed by at least 5% of the qualified electors is filed with the county election officer of the county in which such municipality is located requesting an election on the proposal no service agreement shall be entered into unless the proposal is submitted to and approved by a majority of the qualified electors of the municipality at an election thereon. Such election shall be called and held in the manner provided by K.S.A. 10-120, and amendments thereto.";

On page 4, in line 125, by striking "may" and inserting "shall"; in line 130, by striking "may" and inserting "shall";

On page 5, following line 163, by inserting:

"New Sec. 12. The amount of money to be paid by a municipality pursuant to a service agreement shall not exceed 50% of the bonded indebtedness of the municipality.";

By renumbering sections 12, 13 and 14 as sections 13, 14 and 15, respectively;

JD
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Attach V