

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen, Chairman at  
Chairperson

11:00 a.m./~~p.m.~~ on Thursday, February 16, 1989 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Department  
Chris Courtwright, Research Department  
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Dan Radakovitch, V. Pres. Academic Affairs, Johnson County Comm College  
Bob Lytle, Attorney representing Johnson County Community College  
Ernie Mosher, Secretary-The League of Kansas Municipalities  
Kevin Robertson, Director-Gov'n. Affairs, KS. Assoc. Area Vo-Tech Technical Schools

Chairman Thiessen called the meeting to order and said the minutes of January 9th and January 13th are before you, and he would ask for a motion at the end of the meeting. The Chairman turned attention to SB 177 and SB178 recognizing Senator Langworthy, one of the sponsor's of the bills.

Senator Langworthy said the two bills came from a specific problem that arose with Johnson County Community College, and some special work that needed to be done, and additional problems were created, that we believe can be solved for the future.

SB177:AN ACT concerning revenue bonds for buildings used for educational purposes or purposes connected therewith; affecting the definition of buildings under the jurisdiction of certain boards.

SB178:AN ACT relating to property taxation; affecting the exemption there-from of certain property constructed or purchased with the proceeds of industrial revenue bonds.

Senator Langworthy called on Bob Lytle, attorney for Johnson County Community College.

Bob Lytle introduced Dan Radakovitch, Vice President for Academic Affairs at the Johnson County Community College, and said if the committee would permit, he would like to have Mr. Radakovitch testify first.

Dan Radakovitch said he would like to have the committee to be aware of the tremendous impact, both to education and to commerce and industry, that educational training centers such as the Industrial Training Center for Burlington Northern Railroad recently completed at our college make to local communities. (ATTACHMENT 1) The 50,000 square foot facility is used to train more than 2,000 Burlington employees each year in industrial and technical fields such as welding, signal maintenance, electronics and mechanics. The \$2.4 M building is being financed by Industrial Revenue Bonds issued by the city of Overland Park. Burlington Northern will pay for 2/3 of the total cost, the college 1/3. No local tax increase was necessary to fund the facility. At the end of 10 years, BN will donate its share of the facility to the College outright, and the college will then own the property and will be providing training to students in the facility. SB178 as amended makes abundantly clear that this type of usage of property owned by the college will continue to be tax exempt.

Bob Lytle my testimony (ATTACHMENT 2) points to the difficulties that we had with the railroad. Both the railroad and the college were about to give up on the project when bond counsel for the college suggested that we contact the City of Overland Park to see if they would construct the facility at the College campus and use their industrial revenue bond authority to finance the project.. After some considerable time and negotiations with the City, the Industry and the College, the project was finally authorized after an inter-local government agreement between the City and

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Thursday, February 16, 1989

the College was executed as authorized by Chapter 12 of the Kansas Statutes Annotated. SB177 as amended would permit educational institutions to issue a revenue bond for academic and vocational education purposes for private industry. SB178 amends to provide that the exemption from ad valorem taxes continues after industrial revenue bonds are paid if title to the facility constructed with the industrial revenue bonds remains in the name of the public institution.

Speaking on behalf of our Community College, we are proponents and supporters of the bills you are considering today.

After committee discussion, The Chairman recognized Ernie Mosher appearing as a opponent to SB178.

Ernie Mosher, secretary to The League of Kansas Municipalities said our Finance and Taxation Committee is opposed to SB178 as written. In 1961 or 1963 when the IRB bond was first enacted, the exemption was for the term of the bonds, and the term of the bonds were not to exceed 10 years. This worked well at the local level, and city governing bodies that have discretion to require in lieu payments as conditioning bonds, but in this instance it is kind of retroactive.

The Chairman recognized Kevin Robertson, Director of Government Affairs, Ks. Assoc. of Area Vocational-Technical Schools. an opponent of SB177.

Kevin Robertson said he was here today in support of SB177 but had a request for an amendment. Our amendment does not affect the intent of the bill, but would like to clear up some statute language that has been on the books for about 20 years. The amendment that we are offering is on the second page of my hand-out. (Attachment 3).

Chairman Thiessen asked if there was any more discussion on the bills, and then asked if there was a motion on the minutes.

Senator Francisco made a motion to approve the minutes of February 9, and February 13, seconded by Senator Frahm. The motion to approve the minutes carried.

The meeting adjourned at 11:45 a.m.



AT 1  
189  
2-16

Testimony of Dan Radakovitch

I am appearing before the Senate Committee on Taxation in support of Senate Bill 177 and Senate Bill 178.

I am the Vice President for Academic Affairs at the Johnson County Community College located in Overland Park, Kansas. The President of the College, Charles J. Carlsen, is unable to appear before the Committee in support of these Bills because of a commitment made by him prior to the notice we received from our attorney, Mr. Lytle, of your hearing schedule. He and I want the Committee, and through you, the legislators of our State, to be aware of the tremendous impact, both to education and to commerce and industry, that educational training centers such as the Industrial Training Center for Burlington Northern Railroad recently completed at our College make to local communities.

Our attorney will explain the difficulties the College encountered and ultimately resolved in locating this world wide training center at our College. I would like to relate to the Committee the difficulties the College had to cope with before we completed the project. These Senate Bills will alleviate the difficulties we experienced in obtaining this educational center.

Burlington Northern came to us several years ago to seek the assistance of our business and industry staff in evaluating their training facilities. Burlington Northern had previously located their corporate headquarters in Overland Park not far from the College campus. The Director of Technical Training for the railroad

inquired of the College if we could provide some specialized welding training for their employees attending their world wide training institute. From these discussions, the College and the railroad concluded there would be significant advantages to both the railroad and the college if the training center for the technical training of employees of the railroad could be located on our campus. The College attorneys recommended a training contract with ownership of the facilities constructed at the College being retained by the College. This advice was based upon the exemption requirements of the property tax laws and the concern about completion of construction in accordance with College requirements. The attorneys for the railroad, however, desired the security of an ownership position or at a base minimum a long term lease because of the substantial investment of personnel, property and monetary commitments for their world wide training center. Negotiations waned because of these apparent conflicting but real problems. While the College and Burlington grappled with these concerns, Burlington received significant and substantial offers to locate their training center in other states who sought the location of such a stimulus to their economy. Finally it was determined that one method for accomplishing the transaction, although it was somewhat unique and cumbersome, would permit the goals of both the College and the railroad to be accomplished. This method involved the City of Overland Park, Kansas, the municipality in which the College is located, issuing its industrial revenue bonds for the railroad and as part of this transaction the City and the College would enter

into an intergovernmental agreement approved by the Attorney General of the State of Kansas which provided for the conveyance to the City of the footprint of the ITC Building to be constructed at the College and the usage of the industrial revenue bonds of the City for the construction of the industrial training center at the College. The lease payments made by the industry and the College, (two-thirds by the railroad, one-third by the College) permits the industrial revenue bonds to be paid for in ten years and at the end of the ten year period the ownership of the building is transferred to the college and Burlington Northern has agreed to a gift to the College of their interest in the building. The City of Overland Park granted tax abatement to the project for the ten year period as permitted by law for industrial revenue bonds.

I have attached to my testimony one of many articles written about this project. You will see by examining it that this project has, and will continue to have, a significant impact upon our community and also provides the College with a training center largely paid for by the railroad. It also provides the College the tremendous educational opportunity of using its staff and instructors for the instructional needs of a significant number of employees of the railroad from all parts of the country. These students will avail themselves not only of the railroad's technical instructors but they will use the College's instructors in a number of technical and academic disciplines. There will be at any given time twenty to fifty railroad employees who will be in attendance at the industrial training center and who will be housed in hotel rooms

that will amount to an estimated 20,000 hotel and motel room nights a year. The College is not only using one-third of the building on an exclusive basis for its own courses, it shares the remaining classrooms with the railroad. In addition, the College and the railroad have entered into contracted service agreements with the College providing academic, technical and support services to the railroad and its employees. These contracts are negotiated at a rate of compensation that not only covers the College's direct cost but also pays for the indirect costs of the operation of the College.

As our attorney will explain, the bills that you are now considering make it possible for the College to complete additional industrial educational centers should the opportunity arise again. Similarly, the bills you are considering clarify the situation of the exclusivity of use at the completion of the ten year revenue bond. The College will then own the property and will be providing training to students in the facility. Senate Bill 178 as amended makes abundantly clear that this type of usage of property owned by the College will continue to be tax exempt.

Railroads are hurtling into the satellite age with the force of a 200-ton locomotive on a downhill grade. And they've found - like most American businesses - that company-sponsored employee training programs are essential if they want to maintain a keen, competitive edge.

That's why Burlington Northern Railroad, the nation's largest railroad, and Johnson County Community College, one of the top 10 two-year schools in the country, formed an unusual new partnership that is being looked to as a national model for cooperative projects between higher education and industry.

JCCC and BN jointly constructed an Industrial Technical Center on the JCCC campus. The 50,000 square-foot facility is used to train more than 2,000 Burlington employees each year in industrial and technical fields such as welding, signal maintenance, electronics and mechanics.

The facility also provides the College with badly needed classroom space, more administrative offices and additional warehouse space. A third of the building is used exclusively by Burlington, a third by the College and a third is shared.

This project places JCCC at the vanguard of a new national movement to encourage business and industry to invest and participate more in higher education. Government also will play a key role, insuring that traditional objectives of general education remain a principal part of this process and supporting new, innovative programs to assist business.

Colleges and universities stand to gain much. New partnerships will help them expand and refine their curricula, provide more resources for



general education and develop specialized programs that will help businesses increase their world-wide competitiveness, says JCCC President Charles J. Carlsen.

For example, at no time has the need for advanced employee training programs been greater. For years railroads trained their employees on the job. Signalmen, dispatchers, engineers and brakemen all learned as they worked. Today that isn't enough. As they rely more on technology and less on raw manpower to compete in a deregulated market, railroads are finding they need an increasingly sophisticated workforce.

BN maintains its operating headquarters in Overland Park, Kansas, a Kansas City, Missouri suburb. In 1984 the railroad built its first national technical training center in Kansas City, Kansas. But the training needs of the rail giant quickly outstripped that facility.

Mike Voelker, BN's director of technical training, says he began to develop the idea of building an expanded national technical training center at JCCC during a visit to the campus about two years ago.

The \$2.4 million building - the cost includes interior furnishings - is being financed by Industrial Revenue Bonds issued by the city of Overland Park. BN will pay for two-thirds of the total cost; the College one-third. No local tax increase was necessary to fund the facility. At the end of 10 years, BN will donate its share of the facility to the College outright.

Mayor Ed Eilert of Overland Park was strongly behind the agreement, even though his city traditionally has not issued IRBs to finance construction projects. JCCC and BN asked for the city's help because this type of financing arrangement was necessary to protect the College's tax exempt

status.

Eilert said, "I'm not sure any of us today can fully realize or see far enough into the future to understand the long-term benefits of this joint effort. But I believe it will stand as a landmark example of how the private and public sectors, through joint efforts, can provide for the educational and economic opportunities needed by private companies and the communities in which they reside."

Voelker of Burlington Northern was equally enthusiastic. "Our association with Johnson County Community College will allow us to increase the amount of training we offer and improve the quality of that training. We became very interested in being associated with an academic institution because of the flexibility it will offer us in the future."

Flexibility is a key word at community colleges, which were created, in part, to serve the constantly changing needs of their communities. Although Goldenbaum and other college administrators realize the BN project may not create an immediate influx of new business and industry, they are taking the long view. BN's commitment to training at the College will grow, and the process of exploration by both parties will lead to new educational programs and new ways of serving business and industry.

JCCC's President Carlsen thinks the venture will garner national acclaim.

"This is one of the most innovative arrangements between a college and industry that I know of. It is exactly what they are telling us we should do: create partnerships that will further goals of both business and education. Our work as a leader in this area will help other schools and

businesses throughout the country build similar relationships, and, ultimately, it will spur economic development here and in other communities," says Carlsen.

It will employ about 17 full-time Burlington staff and account for more than 20,000 hotel and motel room nights a year as Burlington employees are brought to the county from throughout the country for one- and two-week training sessions.

ATT 2  
2-1-89

TESTIMONY OF ROBERT F. LYTLE

I am appearing before your committee as College Counsel for the Johnson County Community College, Overland Park, Kansas. With me is Dr. Dan Radakovitch, Vice President of Academic Affairs of the College. The two bills that you are considering today (Senate Bill 177 and Senate Bill 178) will be of great assistance to educational institutions of higher learning in linking industry and education. Dr. Radakovitch will relate to you the events that led to the location of the world wide training center of Burlington Northern Railroad at Johnson County Community College. When the College administration first presented to us as counsel for the College the concept of locating a training institute for a private industry at the College, our principal concern was how we could meet the Railroad's desire to become an owner or long time lessee of a part of the College property. Both the Railroad and the College were about to give up on the project when bond counsel for the College suggested that we contact the City of Overland Park to see if they would construct the facility at the College campus and use their industrial revenue bond authority to finance the project. After some considerable time and negotiations with the City, the Industry and the College, the project was finally authorized after an inter-local government agreement between the City and the College was executed as authorized by Chapter 12 of the Kansas Statutes Annotated. This agreement was filed with and approved by the Attorney General of the State of Kansas. Although Overland Park ultimately approved the

concept and became an active proponent of this matter, there were times when the complexity of the transaction and the length of time it took to secure concept and document approval by the College, the Industry, and staff of the City, its legal and bond advisers, the City Counsel and finally the State Attorney General, that this entire project was written off as nearly impossible. While these negotiations were proceeding, the Railroad received several substantial offers to locate elsewhere. But for the persistence of Dr. Carlsen, the President of the College, the genuine desire of the Industry to be at the College, and ultimately the cooperation of the City and the Attorney General, this project would not have been completed.

One of the difficulties that any City has in issuing industrial revenue bonds is to validate the purpose and assure the correct usage of bond funds. The City was concerned about what economic benefits would result from the issuance and sale of bonds for a training institute. The economic impact of education is hard to quantify, however it is certainly real and substantial. If nothing else, the use of 20,000 hotel and motel nights each year answered many of the City's concerns. Nevertheless, there were many hours spent by the College and the City's staff fine-tuning the documents to give adequate protection and safeguard to each party's point of view.

Senate Bill 177 amends K.S.A. 76-6(a)13 to permit educational institutions to issue a revenue bond for academic and vocational education purposes for private industry. Public colleges, public

universities, public community colleges and area vocational schools already are authorized to issue revenue bonds for many and diverse college facilities. This Bill permits the public colleges, etc. to issue revenue bonds for construction of training centers in effect primarily paid for by the Industry.

Senate Bill 178 answers another part of the puzzle that we had in putting together the Industrial Training Center at the College. It amends K.S.A. 79-201(a) to provide that the exemption from ad valorem taxes continues after industrial revenue bonds are paid if title to the facility constructed with the industrial revenue bonds remains in the name of the public institution.

Speaking on behalf of our Community College, we are proponents and supporters of the Amendment you are considering today.

On Wednesday, February 15, 1989, Mr. Mosher of the League of Municipalities related to me some concerns he had about Senate Bill 178 as written. Mr. Mosher does not take issue with the concept of college owned property used for industrial training centers being exempt from ad valorem taxes. His concern is that Senate Bill 178 as drafted is not limited to that situation but would apply to any industrial revenue bond. The College shares this concern and has no objection to further corrections and redrafting by the Revisor's Office to limit this tax exemption to situations such as the College and its industrial training building.

Session of 1989

SENATE BILL No. 177

By Senators Langworthy and Bogina

2-7

15 AN ACT concerning revenue bonds for buildings used for educational  
16 purposes or purposes connected therewith; affecting the definition  
17 of buildings under the jurisdiction of certain boards; amending  
18 K.S.A. 1988 Supp. 76-6a13 and repealing the existing section.  
19

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

21 Section 1. K.S.A. 1988 Supp. 76-6a13 is hereby amended to read  
22 as follows: 76-6a13. As used in this act, unless the context otherwise  
23 requires:

24 (a) "Board" means the state board of regents or ~~a~~ *the* board of  
25 regents of a municipal university or ~~a~~ *the* board of education of a  
26 unified school district in any county ~~having a population of more~~  
27 ~~than 7,250 and less than 9,000~~ in which there is located an area  
28 vocational-technical school campus, or the board of control of any  
29 ~~such~~ area vocational-technical school or the board of trustees of any  
30 community college.

31 (b) "Institution" means and includes the university of Kansas,  
32 university of Kansas school of medicine at Kansas City, Fort Hays  
33 state university, Kansas state university of agriculture and applied  
34 science, Wichita state university, Emporia state university, Pittsburg  
35 state university and the Kansas college of technology, together with  
36 all other state institutions of learning now or hereafter under the  
37 control and supervision of the state board of regents, any municipal  
38 university organized under the laws of Kansas, any community col-  
39 lege ~~or any area vocational-technical school the buildings of which~~  
40 ~~are located in a county having a population of more than 7,250 and~~  
41 ~~less than 9,000:~~

area vocational school

42 (c) "Building," when heretofore or hereafter constructed by the  
43 state board of regents for any institution under the control and  
44 supervision of the state board of regents, means and includes one

## KANSAS ASSOCIATION OF AREA VOCATIONAL-TECHNICAL SCHOOLS

Eugene Lundgrin  
President

Richard Kingston  
President Elect

Robert Stinson  
Secretary

Roy J. Berry  
Treasurer

Date: February 16, 1989

To: Senate Committee on Assessment and Taxation

From: Kevin Robertson,  
Director of Government Affairs

Re: SB-177

Mr. Chairman and members of the Committee, my name is Kevin Robertson. I am Director of Governmental Affairs for Barbee and Associates and today I appear before you on behalf of the Kansas Association of Area Vocational-Technical Schools (KAAVTS). KAAVTS is an association made up of the Directors of the 16 Kansas AVT Schools. I am here today in support of Senate Bill 177 with a requested amendment.

In 1977 the Kansas Legislature expanded K.S.A. 76-6a13 to include the language in lines 25-29 and 39-41 of the bill. This added language allowed Northwest Kansas AVTS in Goodland and North Central AVTS in Beloit to construct student housing and new student unions on their campuses.

SB-177 expands the use of revenue bonds to be used for "industrial training centers used primarily for academic or vocational education programs designed for and operated under contract with private industry or industries." Though no AVTS is currently planning to fund a program under this bill, KAAVTS believes all AVT Schools should have the same opportunity to fund construction of new facilities and vocational education programs as do regents schools and community colleges.

Specifically, we ask you to amend lines 26-27 by striking "having a population of more than 7,250 and less than 9,000" and the word "technical" on line 28. On line 39 "area vocational school" should be added before the "or" and "the buildings of which are located in a county having a population of more than 7,250 and less than 9,000" on lines 39-41 should be struck.

The Kansas Association of Area Vocational-Technical Schools thanks you for the opportunity to appear here today and we urge you to consider these amendments.

I will try to answer any questions you have.

Attachment 3  
Senate Assessment & Tax  
Thursday, 2-16-89



Session of 1989

SENATE BILL No. 177

By Senators Langworthy and Bogina

2-7

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16 purposes or purposes connected therewith; affecting the definition  
17 of buildings under the jurisdiction of certain boards; amending  
18 K.S.A. 1988 Supp. 76-6a13 and repealing the existing section.  
19

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

21 Section 1. K.S.A. 1988 Supp. 76-6a13 is hereby amended to read  
22 as follows: 76-6a13. As used in this act, unless the context otherwise  
23 requires:

24 (a) "Board" means the state board of regents or ~~a~~ *the* board of  
25 regents of a municipal university or ~~a~~ *the* board of education of a  
26 unified school district in any county ~~having a population of more~~  
27 ~~than 7,250 and less than 9,000~~ in which there is located an area  
28 vocational-technical school campus, or the board of control of any  
29 ~~such~~ area vocational-technical school or the board of trustees of any  
30 community college.

31 (b) "Institution" means and includes the university of Kansas,  
32 university of Kansas school of medicine at Kansas City, Fort Hays  
33 state university, Kansas state university of agriculture and applied  
34 science, Wichita state university, Emporia state university, Pittsburg  
35 state university and the Kansas college of technology, together with  
36 all other state institutions of learning now or hereafter under the  
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38 university organized under the laws of Kansas, any community col-  
39 lege ~~or any area vocational-technical school the buildings of which~~  
40 ~~are located in a county having a population of more than 7,250 and~~  
41 ~~less than 9,000:~~

area vocational school

42 (c) "Building," when heretofore or hereafter constructed by the  
43 state board of regents for any institution under the control and  
44 supervision of the state board of regents, means and includes one

(b) "Area vocational school" means any vocational education school established under authority of the laws of this state, approved and officially designated as an area vocational school by the state board, and operated under the board of education of a school district, the board of trustees of a community college, the state board of regents, or the board of regents of a municipal university. Any area vocational school, except for purposes of the construction of this act, may retain and use the name given to such school prior to the effective date of this act, even though such name includes the words "area vocational-technical school." Until this provision is amended by or repealed from law, the state board shall not approve the establishment or operation of any area vocational school which has not been approved for establishment or officially designated as an area vocational school prior to the effective date of this act.

(c) "Area vocational-technical school" means any vocational education school which was classified as a type II area vocational-technical school under authority of former laws or which is established and classified as a type II area vocational-technical school under authority of this act. The schools to which this definition applies are:

- (1) Central Kansas area vocational-technical school;
- (2) Southeast Kansas area vocational-technical school;
- (3) Northwest Kansas area vocational-technical school;
- (4) Northcentral Kansas area vocational-technical school; and
- (5) Johnson county area vocational-technical school, upon its establishment in accordance with the provisions of this act.

The governing body of an area vocational-technical school shall be called a board of control and shall be constituted as is provided by agreement of the boards participating therein. The state board may adopt special rules and regulations applicable to the conduct, operation and administration of area vocational-technical schools. Nothing in this act shall be construed to authorize the establishment or operation of any area vocational-technical school not specifically designated in this subsection. Unless approved by the state board of education, no area vocational-technical school shall construct or reconstruct or acquire any