

Approved March 14 1990  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at  
Chairperson

3:40 ~~a.m.~~/p.m. on Tuesday, February 27, 1990 in room 423-S of the Capitol.

All members were present except: Representatives Barkis, Goossen, Russell and Foster. Excused.

Committee staff present:

Jim Wilson, Revisor  
Lynne Holt, Research  
Elaine Johnson, Secretary

Conferees appearing before the committee:

Representative Betty Jo Charlton  
Pat Baker, Associate Executive Director of the Kansas Association of School Boards  
E. A. Mosher, Executive Director of the League of Kansas Municipalities  
Bev Bradley, Legislative Coordinator, Kansas Association of Counties  
Bill Martin, Kansas Industrial Developers Association  
Bernie Koch, Wichita Area Chamber of Commerce  
Bud Grant, Vice President of the Kansas Chamber of Commerce and Industry

The meeting was called to order at 3:40 p.m. by Chairperson Baker.

Representative Baker opened the hearing on HB 2783 and recognized Representative Betty Jo Charlton.

Representative Charlton was the first conferee to testify in support of HB 2783. She stated that this bill mentions the agreement among local taxing districts affected by abatements. SB 440 prescribes more limits on tax abatements but omits any mention of agreement. Representative Charlton believes that county commissioners, city governing bodies and local boards of education can agree on genuine economic development tax abatements and that this bill will provide a check on continued abuse of the authority granted to cities and counties in the constitution. Attachment 1.

Representative Charlton responded to questions from the committee.

Patricia Baker, Associate Executive Director of the Kansas Association of School Boards testified in support of the bill and requests that the committee favorably report the bill. She states that public schools are responsible for the levying and expenditure of ad valorem tax moneys to operate our education system. When the duly elected boards do not have a say in questions involving tax abatement, they are put in the unenviable position of levying on a smaller tax base. Attachment 2.

Mr. E.A. Mosher, Executive Director of the League of Kansas Municipalities testified next. Mr. Mosher stated that the League and its members supported HB 2783 except for subsection (b) and with a proposed amendment to subsection (c). They oppose subsection (b) because they do not think a unified school district board should be empowered to veto an action of a city or county governing body, in this type of situation. They support the concept of subsection (c) but propose a change in lines 3334. In conclusion Mr. Mosher called attention to SB 440 that is under consideration by the Senate Committee on Economic Development. He stated that a copy of this bill and the amendments that have been proposed by the League is attached to his testimony. He stated that the bill contains the substance of HB 2783, except for subsection (b), and adds other provisions as to economic development exemptions. Attachment 3.

Mr. Mosher responded to questions from the committee.

The first conferee to testify as an opponent to HB 2783 was Bev Bradley, Legislative Coordinator for the Kansas Association of Counties. She stated that the Kansas Association of Counties had no formal position on this bill. They do however believe, if this is to be the policy, having other taxing units approve ad valorem tax exemptions before they can be granted, then it should be the policy for all units. If this is to be a round robin approval, then don't leave out the counties. Attachment 4.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423-S, Statehouse, at 3:40 ~~xxx~~/p.m. on Tuesday, February 27, 1990.

Ms. Bradley responded to questions from the committee.

Mr. Bill Martin representing the Kansas Industrial Developers Association testified next in opposition to this bill. He feels that to require additional public notices, hearings and notification of other local jurisdictions merely slows the development process and could discourage potential job creating firms. He states that KIDA has similar objections to the requirement that school districts, counties and cities must all give their consent to granting an abatement. Attachment 5.

Mr. Martin responded to questions from the committee.

The next conferee was Bernie Koch, of the Wichita Area Chamber of Commerce. Mr. Koch stated that school districts do have an interest in tax abatements and economic development. The abatements affect potential new revenue for schools, and education is an important factor in economic development, providing skilled workers. He feels that cities and counties have more experience traditionally in dealing with economic development. They have more direct financial considerations and must consider if a new or expanded facility will require a new or better road, enhanced law enforcement services, sewer, water and utilities, and fire protection. He feels that this bill seems to make it more difficult for small companies to receive tax abatement approval. Attachment 6.

Mr. Koch responded to questions from the committee.

The last conferee was Bud Grant, Vice President of the Kansas Chamber of Commerce and Industry. KCCI opposes Section 1.(b) which requires school board approval before exempting property with a school district for two reasons. A single school board should not be able to control the economic development of an entire county. It does not now, nor should it ever have, the ability to negatively impact the development and job creation for citizens to which it is not answerable. Also no exemptions will be finalized by a county without the full benefit of public hearings on a resolution authorizing the exemptions. This is standard procedure and offers the Board of Education the opportunity to share its comments. KCCI urges the committee to delete Section 1.(b). They also feel that section 1.(c) is an unnecessary addition to a procedure which currently contains provisions for full and complete hearings and public notice. Attachment 7.

Mr. Grant responded to questions from the committee.

Representative Baker concluded the hearing on HB 2783.

The meeting was adjourned at 4:44 p.m.

*Elizabeth  
Baker*

Date: 2/27/90

GUEST REGISTRY

HOUSE

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
<i>[Signature]</i>	Kansas Public Radio	STATEWIDE
David A Hawley	Ks. Ass. for Small Business	Wichita
Ben Bradley	KS Assoc of Counties	Topeka
BVD GRANT	KCC	"
Pat Baker	KASB	Topeka
Kathryn Dupont	USD 259	Wichita
Billy Thompson	KDDC	Topeka
John Jay Mills	Leg Intern	Lawrence
Melvin Maurer	Sedgewick Co.	Wichita
Garry Ray	Johnson Co	Olathe
Bill Martin	Ks Ind Dev Ass'n	Lawrence
Linton Bartlett	City of Kansas City	KCK
Mike Miller	City of Topeka	Topeka
<i>[Signature]</i>	Topeka	League of Cities
Bernie Koch	Wichita Chamber	Wichita
Mike Germann	Wichita Div - BEAC	Wichita
Jacie Cooper	IPPBR - KU	Lawrence

BETTY JO CHARLTON  
 REPRESENTATIVE, FORTY-SIXTH DISTRICT  
 DOUGLAS COUNTY  
 1624 INDIANA STREET  
 LAWRENCE, KANSAS 66044  
 913-843-5024



ROOM 272-W  
 STATE CAPITOL BUILDING  
 TOPEKA, KANSAS 66612

TOPEKA

HOUSE OF  
 REPRESENTATIVES

February 26, 1990

Madam Chairman and Members of the Committee:

Thank you for scheduling this hearing on HB 2783.

In this troubled session of the Kansas Legislature we are facing not only unintended consequences of statewide reappraisal for property tax purposes but also results of the gradual erosion, over many years, of the local property tax base: repeal of personal property taxes, repeal of taxes on intangibles, and excessive use of ten-year tax abatements.

Tax abatements are not all bad. The unemployment rate in the State of Kansas has for many years been below the national rate. This has been partly due to the use of Industrial Revenue Bonds and accompanying tax abatements. When the federal government began to limit the use of IRBs, we passed a constitutional amendment allowing cities and counties to grant tax abatements for economic development purposes. In the 1987 session, the House Committee on Taxation introduced guidelines for the granting of those abatements. Mr. Mosher, of the League of Municipalities, came to the committee with a book of guidelines for local governments. His book was much better than the committee's bill, and Mr. Mosher assured us that local units would follow the League's guidelines and that legislation was not necessary.

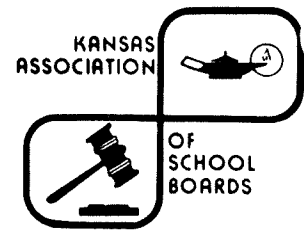
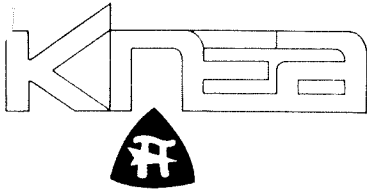
Subsequent events have indicated that local units of government are granting abatements willy-nilly and engaging in "pirating" of businesses by one city or county from another within the state. The luring of business with the promise of tax exemptions does nothing for the economic well-being of the state and is damaging to many localities.

This year, SB 440 prescribes more limits on the tax abatements than 1987 and 1989 house bills or the League's voluntary guidelines. The Senate Bill omits, however, any mention of agreement among local taxing districts affected by abatements. HB 2783, which is before the committee today, would simply require in Section 1 (a) that a board of county commissioners have the approval of the governing body of a city before granting an exemption within the city limits; (b) that a county or city have the approval of the board of education before granting an exemption within a school district; and (c) that a county or city conduct a public hearing and notify all taxing districts affected before granting an exemption.

I believe that county commissioners, city governing bodies and local boards of education can agree on genuine economic development tax abatements and that this bill will provide a check on continued abuse of the authority granted to cities and counties in the constitution.

Betty Jo Charlton

*House Eco. Devo. Committee*  
*Attachment 1 2/27/90*



Testimony on H.B. 2783  
before the  
House Economic Development Committee

given by  
Patricia Baker, Associate Executive Director  
Kansas Association of School Boards

representing  
Kansas Association of School Boards  
Kansas-National Education Association  
United School Administrators  
Unified School District No. 501 (Topeka)  
Schools for Quality of Education  
Schools for Equal Education in Kansas

Thank you for the opportunity to appear before you on behalf of the above listed organizations. We support the provisions of H.B. 2783 and request that this committee favorably report the bill.

Public schools are responsible for the levying and expenditure of ad valorem tax moneys to operate our educational system. When the duly elected boards do not have a say in questions involving tax abatement, they are put in the unenviable position of levying on a smaller tax base.

School districts support the economic development projects of the state and municipalities, but are concerned about narrowing a tax base that is already causing problems in Kansas. We believe that those charged with funding education have a say in the decisions which affect not only economic development but also our education system.

I would be glad to answer any questions.

*House Eco. Devel. Committee*  
*Attachment 2 2/27/90*



**League  
of Kansas  
Municipalities**

**Municipal  
Legislative  
Testimony**

An Instrumentality of its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9565 Fax 354-4186

To: House Committee on Economic Development  
 Re: HB 2783--Property Tax Exemptions for Economic Development  
 From: E.A. Mosher, Executive Director  
 Date: February 27, 1990

On behalf of the League and its member cities, I appear in support of HB 2783, except for subsection (b), and with a proposed amendment to subsection (c).

We support subsection (a), to clarify that a county board may not unilaterally authorize an exemption located within the city. The constitutional amendment is not clear, at least to us, as to where the jurisdiction of the county board lies, since both cities and counties are authorized to grant economic development exemptions. Subsection (a) would clarify that when a county board grants an exemption within a city, it may do so only with the approval of the city governing body.

We oppose subsection (b). We do not think a unified school district board should be empowered to veto an action of a city or county governing body, in this type of situation. We do not oppose a special notice, or the right of the board of education to review and comment on a proposed action.

We support the concept of subsection (c), including the notice and public hearing requirement. We think such a procedural requirement may assist in maintaining the basic authority of cities and counties to grant such exemptions.

We do propose an amendment to lines 33-34. We question the need to specifically notify the governing body of "all taxing districts which may be affected". The average county has from 30 to 40 taxing districts--many of which could be affected by a change in the county tax base, some by an inconsequential amount. Instead of the present broad requirement, which would cover many special districts, we would suggest the words "of all taxing districts" on line 33, and all of line 34, be stricken, and the following substituted: "the county and unified school district within which the property proposed for exemption is located as to such hearing."

Finally, we call to your attention SB 440 under consideration by the Senate Committee on Economic Development. Attached to my testimony is a copy of this bill and the amendments that have been proposed by the League. You will note it contains the substance of HB 2783, except for subsection (b), and adds other provisions as to economic development exemptions.

*House Eco. Devo. Committee*

President: Irene B. French, Mayor, Merriam \* Vice President: Frances J. Garcia, Mayor, Hutchinson \* Directors: Ed Ellert, Mayor, Overland Park \* Harry Felker, Mayor, Topeka \* Greg Ferris, Councilmember, Wichita \* Idella Frickey, Mayor, Oberlin \* William J. Goering, City Clerk/Administrator, McPherson \* Judith C. Hollinsworth, Mayor, Humboldt \* Jesse Jackson, Mayor, Chanute \* Stan Martin, City Attorney, Abilene \* Richard U. Nienstedt, City Manager, Concordia \* Judy M. Sargent, City Manager, Russell \* Joseph E. Steineger, Mayor, Kansas City \* Bonnie Talley, Mayor, Garden City \* Executive Director: E.A. Mosher

*Attachment 3 2/27/90*

League of Kansas Municipalities

- A. Same as Section 1 of HB 2185. To clarify procedure.
- B. To clarify apparent intent.
- C. Based on Sec. 1(b) of HB 2185. To require written notice to principal taxing subdivisions affected by a proposed exemption.
- D. To clarify intent.
- E. From HB 2185. To clearly specify legislative intent of requiring conformance to state board of tax appeals procedure, implementing by statute AGO 86-168, issued December 3, 1986.
- F. Based on HB 2185, but expanded. Implements by statute AGO 86-168. However, it adds the requirement that the owner must also annually file a certification by the city or county clerk that the terms and conditions of the exemption are being met. It provides a means to secure annual monitoring of exemptions.
- G. Strikes all of original Sec. 3, and substitutes the monitoring requirement in new Sec. 5. We think original Sec. 3 is burdensome, contains confusing language, and serves no public purpose not better obtained by proposed new Sec. 5. Who in the Department of Revenue would use all the information required in original Sec. 3? What's important is that if the exemption no longer meets the terms and conditions established for the exemption, it be cancelled--an objective obtained by proposed new Sec. 5, not by reporting to the Revenue Department.

21-3-3  
2/21/90

Session of 1990

# SENATE BILL No. 440

By Joint Committee on Economic Development

1-8

10 AN ACT relating to property taxation; prescribing limitations upon  
11 the authority of any county or city to grant exemptions therefrom  
12 for economic development purposes.

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

14 Section 2. Prior to the granting of an exemption for any property  
15 from ad valorem taxation pursuant to the provisions of section 13 of  
16 article 11 of the Kansas constitution, the board of county commis-  
17 sioners of any county or the governing body of any city, as the case  
18 requires, shall be required to do the following:

19 (a) Develop and adopt official policies and procedures for the  
20 granting of such exemptions including:

21 (1) ~~A~~ cost-benefit analysis of the exemption prior to the granting  
22 of such exemption;

23 (2) a procedure for monitoring the compliance of a business re-  
24 ceiving ~~such~~ an exemption;

25 (b) conduct a public hearing on the granting of such exemption.  
26 Notice of the public hearing shall be published at least seven days  
27 prior to the hearing in the official city or county newspaper, as the  
28 case requires, and shall indicate the purpose, time and place thereof.

29 Sec. 23 No board of county commissioners of any county or the  
30 governing body of any city shall exempt any tangible personal prop-  
31 erty of a business pursuant to section 13 of article 11 of the Kansas  
32 constitution, if such personal property is presently ~~listed on the~~  
33 ~~records of any county appraiser~~ in the state of Kansas, except that,  
34 if the board of county commissioners or governing body of a city  
35 makes a factual determination that such an exemption is required  
36 to retain jobs in the state of Kansas, an exemption may be granted  
37 for such tangible personal property.

38 ~~Sec. 3. Any county or city granting an exemption for any prop-~~  
39 ~~erty from ad valorem taxation pursuant to the provisions of section~~  
40 ~~13 of article 11 of the Kansas constitution shall be required to file~~  
41 ~~an annual report with the Kansas department of revenue. The report~~  
42 ~~shall include the following.~~

A  
Section 1. No board of county commissioners of any county, pursuant to the provisions of section 13 of article 11 of the Kansas constitution, shall grant any exemption from ad valorem taxation for any property located or to be located within the corporate limits of any city without approval thereof by the governing body of such city.

B The required preparation of a  
B each

B with any terms or conditions established by the governing body for the granting of the exemption.

C In addition to such publication notice, the city or county clerk, as the case requires, shall notify the governing body of the county and unified school district within which the property proposed for exemption is located.

D subject to ad valorem taxation

E  
Sec. 4. (Amend K.S.A. 79-213, which requires the state board of tax appeals to approve the validity of requested tax exemptions on recommendation of the county appraiser. The amendment would be as follows:) The provisions of this section shall apply to property exempt pursuant to the provisions of section 13 of article 11 of the Kansas constitution.



G

- ~~(a) The overall structure and restrictions within the county's or city's exemption policy;~~  
~~(b) the number of exemptions granted within the past year, in individual terms and as a total percentage of the tax base;~~  
~~(c) a cost-benefit analysis of each exemption, stating specific benefits and costs;~~  
~~(d) monitoring procedures which involve examining previous exemptions, violations of policy restrictions and the corrective action taken; and~~  
~~(e) such other information as the secretary of the department of revenue deems necessary.~~

Sec. 46 This act shall take effect and be in force from and after its publication in the statute book.

F

Sec. 5.

**79-210.** Property exempt from taxation; claim to be filed each year; forms, content and filing of claims; rules and regulations. The owner or owners of all property which is exempt from the payment of property taxes under the laws of the state of Kansas for a specified period of years shall in each year after approval thereof by the board of tax appeals claim such exemption on or before March 1 of each year in which such exemption is claimed in the manner hereinafter provided. All claims for exemption from the payment of property taxes shall be made upon forms prescribed by the director of property valuation and shall identify the property sought to be exempt, state the basis for the exemption claimed and shall be filed in the office of the assessing officer of the county in which such property is located. The assessing officers of the several counties shall list and value for assessment, all property located within the county for which no claim for exemption has been filed in the manner hereinbefore provided. The secretary of revenue shall adopt rules and regulations necessary to administer the provisions of this section.

F

The provisions of this section shall apply to property exempted pursuant to the provisions of section 13 of article 11 of the Kansas constitution. The claim for exemption annually filed by the owner of such property with the assessing officer shall include a written statement, signed by the clerk of the city or county granting the exemption, that the property continues to meet all the terms and conditions established as a condition of granting the exemption.

9-3-4  
2/27/90



"Service to County Government"

212 S.W. 7th Street  
Topeka, Kansas 66603  
(913) 233-2271  
FAX (913) 233-4830

**EXECUTIVE BOARD**

**President**  
Gary Hayzlett  
Kearney County Commissioner  
P.O. Box 66  
Lakin, KS 67860  
(316) 355-7060

**Vice-President**  
Marjory Scheufler  
Edwards County Commissioner  
R.R. 1, Box 76  
Belpre, KS 67519  
(316) 995-3973

**Past President**  
Winitred Kingman  
Shawnee County Commissioner  
(913) 291-4040  
(913) 272-8948

Dixie Rose  
Butler County Register of Deeds  
(316) 321-5750

Gary Post  
Seward County Appraiser  
(316) 624-0211

**DIRECTORS**

Leonard "Bud" Archer  
Phillips County Commissioner  
(913) 689-4685

Marion Cox  
Wabaunsee County Sheriff  
(913) 765-3323

John Delmont  
Cherokee County Commissioner  
(316) 848-3717

Keith Devenney  
Geary County Commissioner  
(913) 238-7894

Berneice "Bonnie" Gilmore  
Wichita County Clerk  
(316) 375-2731

Harry "Skip" Jones III  
Smith County Treasurer  
(913) 282-6838

Roy Patton  
Harvey County Weed Director  
(316) 283-1890

Thomas "Tom" Pickford, P.E.  
Shawnee County Engineer  
(913) 291-4132

**NACo Representative**  
Joe McClure  
Wabaunsee County Commissioner  
(913) 499-5284

**Executive Director**  
John T. Torbert

February 27, 1990

To: Representative Elizabeth Baker, Chairman  
Members of the House Economic Development  
Committee

From: Bev Bradley, Legislative Coordinator  
Kansas Association of Counties

Subject: HB 2783 Property tax exemptions

The Kansas Association of Counties has no formal position on this bill. We do however believe, if this is to be the policy, having other taxing units approve ad valorem tax exemptions before they can be granted, then it should be the policy for all units. The governing board of County Commissioners should have the right of approval before exemptions are granted by the city. All property is located in a county and exemptions granted by cities affect the tax base of the county. If this is to be a round robin approval, then don't leave out the counties.

TSB2783

*House Eco. Dev. Committee*

*Attachment 4 2/27/90*

Remarks before the  
HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
Regarding HB 2783

February 27, 1990

by  
Bill Martin  
Kansas Industrial Developers Association

The Kansas Industrial Developers Association (KIDA) is made up of over 100 economic development professionals serving Kansas. While we share the Legislature's interest in the appropriate use of property tax abatements, KIDA cannot support HB 2783.

Requiring a public hearing for granting property tax abatement is redundant. Currently, when a City considers granting property tax abatement, it must pass an ordinance which requires two readings and ample opportunity for discussion. In addition, such projects are usually well publicized in the local media. To require additional public notices, hearings and notification of other local jurisdictions merely slows the development process and could discourage potential job creating firms.

KIDA has similar objections to the requirement that school districts, counties and cities must all give their consent to granting an abatement. Other taxing jurisdictions currently have the opportunity to comment during discussions leading to the granting of tax abatements by a city or county. To require all jurisdictions to approve abatements makes the process unworkable.

KIDA firmly believes that the current tax abatement process allows ample opportunity for discussion among all interested parties. The current process should be retained.

*House Eco. Devo. Committee*  
*Attachment 5 2/27/90*

TESTIMONY ON HOUSE BILL 2783  
HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
FEB. 27, 1989  
Bernie Koch  
Wichita Area Chamber of Commerce

Representative Baker, members of the committee, I am Bernie Koch with the Wichita Area Chamber of Commerce, appearing in opposition to House Bill 2783.

I have no trouble understanding the concern and interest in tax abatements by the legislature and those involved in education. Ten years ago, when I worked for Sedgwick County, I found myself involved in those same concerns involving tax abatements for facilities and equipment purchased with industrial revenue bonds. At that time, only cities were statutorily authorized to grant IRB tax abatements, and counties were concerned about abatements in unincorporated areas and the effect on the county's tax base and ability to provide services to those facilities.

At that time, the legislature considered requiring school district approval of abatements and rejected the concept. The 1980 legislation gave counties the authority to issue IRBs and abate taxes and also provided for notification to counties when cities abated taxes in unincorporated areas.

That's not to say that school districts don't have an interest in tax abatements and economic development. The abatements affect potential new revenue for schools, and education is an important factor in economic development, providing skilled workers.

However, cities and counties have more experience traditionally in dealing with economic development. They have been the lead agencies in attracting and expanding business. They also have more direct financial considerations. They must consider if a new or expanded facility will require a new or better road, enhanced law enforcement services, sewer, water and utilities, fire protection.

For example, I recall the Sedgwick County Fire Chief showing me a three story wood frame apartment complex financed with IRBs which was granted a 100 percent tax abatement. The Fire District had to purchase a new fire truck in excess of \$200,000 to be able to reach the top

*House Eco. Devo. Committee*  
*Attachment 6 2/27/90*

floor of that facility in the event of a fire, yet, because of the abatement, the taxpayers of the fire district ended up paying for the equipment, with nothing coming from the facility itself. The 1980 revisions changed that situation.

My point is that cities and counties have much greater financial considerations in tax abatements.

On the other hand, it's rare that schools see a marked increase in enrollment because a new facility is located in the district. It would have to be a very large facility which caused new workers and their families to physically relocate to the school district. I think you'll find that in most cases the workers for an expanded or new business generally come from those who already live in the area. This is especially true with businesses which receive tax abatements under the 1986 constitutional amendment. In Sedgwick County, they tend to be small manufacturers. Large tax abatements tend to be granted in conjunction with IRB issues.

That brings up another point: this bill seems to make it more difficult for small companies to receive tax abatement approval. They are forced to jump through some extra hoops which the larger companies don't have to face, since they are receiving their abatements through IRBs.

This bill would also burden school districts with the necessity to acquire some economic development expertise if they are to make an informed decision on a tax abatement. It could take valuable time and resources away from the work of preparing our young people for life.

Finally, I've spoken to our people in economic development at The Chamber who work directly with these expansions. They feel this exemption ability is a valuable tool to encourage new jobs in our area and that adding the school district approval to the exemption process will have somewhat of a chilling effect on their ability to work with the process. I think it was the Austrian writer Kafka who once said, "The chains of tormented mankind are constructed of red tape."

Thank you for the opportunity to testify on this bill.

11-21-89

TAX EXEMPTION UNDER STATE CONSTITUTION  
APPROVED IN 1989

# New Jobs	FIRM	DATE OF APPROVAL	CITY TAXES			ALL TAXING UNITS		
			REAL	PERSONAL	TOTAL	TOTAL REAL	TOTAL PERSONAL	TOTAL
16	Air Capitol	3/07/89	\$2,008	\$3,348	\$5,356	\$8,058	\$13,434	\$21,492
3	KMG (a)	3/07/89	509	-0-	509	2,043	-0-	2,043
5	McGinty (b)	3/07/89	-0-	767	767	-0-	3,077	3,077
13	RMS	4/18/89	1,696	11,508	13,204	6,808	46,200	53,010
10	Associated	5/16/89	-----	2,573	2,573	-----	10,327	10,327 (2)
87	Christopher	5/16/89	17,555	8,466	26,021	70,444	33,973	104,417
22	Mercury	5/16/89	-----	7,373	7,373	-----	29,601	29,601
8	City Blue	8/01/89	3,678	2,413	6,091	14,760	9,684	24,444 (3)
31	Ohse Foods	8/01/89	1,603	10,009	11,612	6,434	40,169	46,603
7	Central Steel	8/29/89	835	386	1,221	3,352	1,548	4,900
25	Hair Care	9/26/89	571	980	1,551	3,486	4,271	6,757 (4)
5	Aero Metal	11/21/89	487	660	1,147	2,437	3,297	5,734
8	Kansas Plating	11/21/89	1,260	613	1,873	5,490	2,669	8,159
3	Leonard's Metal	11/21/89	-----	1,658	1,658	-----	7,222	7,222 (5)
3	R & R Precision	11/21/89	-----	538	538	-----	2,343	2,343
			TOTAL \$81,494(1)			TOTAL \$330,129		

246

(a)KMG	1990	-0-	996	996	-0-	3,996	3,996
(b)McGinty	1990	-0-	6,142	6,142	-0-	24,645	24,645

NOTE: Data for Air Capitol, KMG and McGinty based on a mill levy of 149.681 mills. Data for RMS, Associated, Christopher and Mercury based on a mill levy of 110 mills. Data for City Blue, Ohse Foods and Central Steel based on a mill levy of 120 mills. Data for Hair Care, Aero Metal, Kansas Plating, Leonard's Metal and R & R Precision based on a mill levy of 122 mills. All values for 1st year of exemption only.

- (1) This value is 46.6% of the \$175,000 limit.
- (2) This company qualified for only 83% tax exemption.
- (3) This company qualified for only 82% tax exemption.
- (4) This company qualified for only 95% tax exemption.
- (5) This company qualified for only 82.5% tax exemption.

a-6-3  
2/27/90

TAX ABUSE 96  
Approved  
8/15/89

CITY OF WICHITA  
ECONOMIC DEVELOPMENT  
TAX EXEMPTION POLICY

Purpose

This statement establishes the City's economic development policy for granting ad valorem tax exemptions on real and personal property per Article 11, Section 13, of the Kansas Constitution.

I. CRITERIA

Each application for tax exemption shall be evaluated in accordance with the following:

A. DEMONSTRATION OF BENEFIT

The City will consider tax exemptions only upon a clear and factual showing of direct economic benefit to the City through advancement of economic development goals; including the creation of additional jobs, the upgrading of existing jobs, exporting (direct or indirect), and the stimulation of additional private investment.

B. MEASURE OF ECONOMIC GROWTH BENEFITS

The primary purpose of ad valorem tax exemptions is the public good resulting from economic growth and benefits. The project shall be one that increases the number of jobs in the community or upgrades existing jobs, particularly in skills and fields which have surplus workers. In addition, consideration will be given to the amount of export business increase or retained by the applicant.

C. PRESERVATION OF COMPETITION

Tax exemptions for business activities which directly compete with established businesses in Wichita will not be encouraged unless such competitor industries generally have received or have been offered similar incentives and opportunities, or unless there is a clear and definitive demonstration of substantial overriding benefit to the City.

D. TYPES OF INDUSTRY

In accordance with Article 11 of the Constitution of the State of Kansas, tax exemptions will be considered only for businesses that:

1. manufacture articles of commerce, per the Standard Industrial Classification Manual, which defines manufacturers as "establishments engaged in the mechanical or chemical transformation of materials or substances into new products";

2. conduct research or development relative to the manufacturing of a product; or
3. store goods or commodities which are sold or traded in interstate commerce (i.e.: warehouses and distribution centers).

E. PRE-APPLICATION AND CERTIFICATION PROCESS

The City of Wichita will consider tax exemptions after the receipt of a pre-application letter certifying that the project for which an exemption will be requested has not commenced prior to the date of said pre-application letter. The official final application request for tax exemption consideration must be filed with the City of Wichita within 120 days from the date of the Pre-Application Letter.

II. NATURE OF IMPROVEMENTS TO BE EXEMPTED

The City Council may exempt from ad valorem taxation all or any portion of the appraised valuation of:

- A. NEW BUSINESS CONSTRUCTING A FACILITY, COMMENCING OPERATION AFTER AUGUST 5, 1986:  
all buildings, with the exception of the land upon which such buildings are located, and eligible tangible personal property associated therewith used exclusively by qualified businesses;

If, new employment is created.

- B. NEW BUSINESS LOCATING IN AN EXISTING FACILITY, COMMENCING OPERATION AFTER AUGUST 5, 1986:  
all building improvements made to the existing facilities and eligible added tangible personal property associated therewith used exclusively by qualified businesses;

If, new employment is created.

Generally, consideration will be given to exempting ad valorem taxes on an existing building only if the subject property has been vacant for a period of at least three years.

- C. EXISTING, EXPANDING BUSINESS  
The following items used exclusively by a qualified business:

1. all buildings or added improvements to the buildings or added improvements to buildings constructed or acquired after date of pre-application and eligible tangible personal property purchased after date of pre-application

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associated with and necessary to facilitate the expansion of any such existing business;

2. IF, AS A RESULT OF SUCH EXPANSION, NEW EMPLOYMENT IS CREATED OR EXISTING JOBS ARE UPGRADED.

### III. TERM AND AMOUNT OF EXEMPTION

Exemptions shall be granted for 25% of the ad valorem taxes due on projects with at least \$50,000 of capital investment and;

- A. for a term of 5 years on eligible personal property and equipment used directly for the production of a product and/or productivity improvements (not to include employee amenities).
- B. for a term of 10 years on eligible buildings.

The City will consider increasing the amount of tax exemption up to 100% by giving special consideration to the following: provided however, that applicants who are not engaged in export (outside the MSA) or import substitution activity shall not qualify for more than a maximum 50% abatement.

- C. applicants who are engaged in 100% export (outside of the Metropolitan Statistical Area) or import substitution activity may receive an additional tax exemption not to exceed 50%. For applicants who are engaged in less than 100% export (outside of the MSA) or import activity the additional percent of tax exemption will be pro rated to the percent exported to total sales;
- D. an additional tax exemption not to exceed 25% may be granted at the discretion of the City Council for applicants locating in geographic targeted areas. The applicant must demonstrate that the project will meet established objectives of the plan that designated the targeted area.
- E. projects that result in a substantial increase in employment:
  1. New businesses - For 25 or more employees the City may grant an additional tax exemption not to exceed 50%. For new businesses with less than 25 employees the amount of tax exemption will be pro rated. No additional tax exemption will be granted under this section to new businesses with less than five employees;
  2. Expanding Businesses - The City may grant an additional 10% exemption for each 5% increase in employment or payroll with the total additional tax exemption not to exceed 50%. For expanding businesses adding 25 or more employees the City may grant a tax exemption not to exceed 50% irrespective of the percent increase in employment.

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#### IV. ADMINISTRATION

Application for a tax exemption shall be accompanied by a filing fee of \$350.00 (subject to change based on annual review of actual costs) to be deposited in the General Fund. These expenses shall include the cost of staff time and any other direct costs.

#### V. AUTHORITY AND RESPONSIBILITIES

- A. Authority to grant economic development tax exemptions within the City is vested in the City Council who reserve the right to exempt any project from the criteria set out herein if circumstances exist to warrant such exemption.
- B. City staff is responsible for the development of procedural documents, instructions and application forms necessary to prepare recommendations to the City Council.
- C. Each year the Economic Review Committee will review this policy for purpose of recommending any required changes to the City Council.
- D. When the City's portion of new approved tax exemptions per year exceeds \$175,000 the Economic Review Committee will review to determine if adjustments are required.

#### VI. APPLICATION PROCEDURES

Applications shall be submitted in writing to the Director of Economic Development, City of Wichita, in such form as required to fully evaluate the application prior to the start of the project.

Applicant must have an approved Equal Employment Opportunity/Affirmative Action Program plan on file with the City prior to City Council consideration of tax exemptions.

Applications must include:

- A. name and address of applicant, contact person and telephone number;
- B. names and addresses of the principal officers and directors of the applicant;
- C. a general description of the nature of the business of the applicant, applicant's history/experience, and a list of principal competition in the local market;
- D. a general description of the proposed project or

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- E. the specific location of the proposed project or improvements (not just a legal description) and any maps necessary for a complete understanding of the proposed project;
  - F. a statement of the projected benefits to the City of Wichita, including number of jobs to be created;
  - G. a statement that the applicant agrees to pay all City costs relative to the granting of the exemption, including the administrative fees;
  - H. a brief statement relative to the effects of the proposed project on the ambient air quality of the City of Wichita and Sedgwick County;
  - I. a financial statement, or annual report, reflecting the applicant's ability to complete the proposed project; and
  - J. any other information which could be considered helpful in determining the propriety of the City in granting the tax exemption.

#### VII. REVIEW

Each exemption granted will be subject to specific review, performance standards and revocation rights, with a subsequent report to the City Council during the life of the exemption.

A recipient will provide annually, for the life of the exemption(s), a report indicating total full-time and part-time employment; total payroll excluding fringe benefits (total wages and salaries; part-time/full-time) and export activities (dollar sales outside of the MSA and dollar sales outside the MSA as a percent of total sales).

Applicant must have an approved Equal Employment Opportunity/Affirmative Action Program plan on file with the City prior to City Council consideration of tax exemption.

The annual report should summarize information for: (1) the year during which the exemption was requested - to be repeated in all annual reports, (2) the current year, and (3) projected for the next year.

City staff shall establish procedures to report tax exemptions for each project; total tax exemptions granted; and, develop a method to estimate additional state and local taxes (sales, income and property taxes) generated by the increase in employment and payroll attributable to the tax exemption project.

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City staff shall prepare annually a report to the City Council summarizing the amount of tax exemptions granted; added employment; payroll effects and the estimated state and local taxes generated. The report may also address recommendations for changes to the existing tax exemption policy.

Failure of the applicant to submit the above information, a fraudulent submittal, or failure to meet the established performance standards shall constitute reason for automatic revocation of the exemption. Performance standards and results will be evaluated and compared on an annual basis with the number of additional jobs (or upgrades) and time schedule for adding the jobs submitted in the pre-application and certification process.

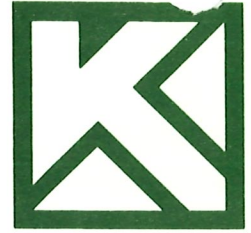
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# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

HB 2783

February 27, 1990

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Committee on Economic Development

by

Bud Grant  
Vice President

Madam Chairperson and members of the Committee:

My name is Bud Grant, and I appreciate the opportunity to appear before the committee today and to comment on HB 2783.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

When a county issues industrial revenue bonds and exempts property within the limits of a city or another county, K.S.A. 12-1740 requires that the city approve the transaction before it goes into effect. Section 1.(a) of HB 2783, would impose the same requirement

*House Eco. Devo. Committee  
Attachment 7 2/27/90*

when a county offers a property tax exemption within a city under the provisions of section 13 of article 11 of the Constitution. This requirement seems consistent and appropriate.

This is not the case with the remainder of the bill. Section 1.(b) would require school board approval before exempting property within a school district. KCCI opposes this for two reasons. A single school board should not be able to control the economic development of an entire county. It does not now, nor should it ever have, the ability to negatively impact the development and job creation for citizens to which it is not answerable.

Second, no exemptions will be finalized by a county without the full benefit of public hearings on a resolution authorizing the exemptions. This is standard procedure and offers the Board of Education the opportunity to share its comments. KCCI urges the committee to delete Section 1.(b) of HB 2783.

Section 1.(c) seems an unnecessary addition to a procedure which currently contains provisions for full and complete hearings and public notice. If it is the intent of this section to require a separate meeting of the Board of County Commissioners, it appears the only result would be delay and expense that would not add to the process. For that reason Madam Chairperson and committee members, KCCI would also recommend the deletion of Section 1.(c).

Thank you for the opportunity of appearing before you today. I would be pleased to attempt to answer any questions.