

Approved 3-13-40  
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at  
Chairperson

7:00 a.m.~~p.m.~~ on March 2, 1940 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor of Statutes' Office  
Lynne Holt, Kansas Legislative Research Dept.  
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:

Chairman Kerr called the meeting to order at 7:00 a.m. in Room 123-South. He stated that the purpose of the meeting was to discuss and take action on several bills.

SENATE BILL 667 - Modifies the Kansas Private Activity Bond Allocation Act to conform to federal legislation.

Senator Francisco made a motion to report S.B. 667 favorably. Senator Oleen seconded. Motion carried.

SENATE BILL 439 - Establishes a patent depository library in Kansas.

Chairman Kerr explained that the bill makes provision for a patent depository library in Kansas, but does not designate location or appropriation for such a library. The Senate Ways and Means Committee would be responsible for those provisions. The fiscal note of the bill would be an initial \$104,000 to purchase the twenty year library. The library might also require one person as staff. The library would be helpful to large and small businesses as well as inventors and anyone wishing to use it for research purposes.

Senator Winter made a motion to recommend S.B. 439 favorably. Senator Francisco seconded. Motion carried.

Following discussion, Chairman Kerr stated that he felt it was the concensus of the committee that he, as chairman of Economic Development Committee, draft a letter to the chairman of the Senate Ways and Means Committee drawing attention to the fact that they would like to see matching funds from the private sector to offset part of the \$104,000 initial start-up cost.

SENATE BILL 440 - Limitations on authority to grant property tax exemptions pursuant to section 13 of article 11 of the constitution.

Attachment 1 is a letter of explanation from David Cunningham, Board of Tax Appeals.

Bill Edds, from the Revisor's office offered suggested language to amend S.B. 440. (Att. 2) He explained the suggested language.

Attachment 3 is a memo from the Department of Revenue explaining the fiscal impact.

Mr. Jim Kaup, General Counsel of the League of Kansas Municipalities offered Attachment 4, which is an explanation of proposed amendments. Chairman Kerr explained that due to unavoidable circumstances, and the absence of Ernie Mosher that paragraph (A) would not be acted upon.

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 Senate COMMITTEE ON Economic Development

room 123-S Statehouse, at 7:00 a.m./p.m. on March 2, 1990

Senator Winter made a motion to adopt amendment listed in paragraph (B) of Attachment 4. Senator Salisbury seconded. Motion carried.

Senator Karr moved to adopt paragraph (C) of Att. 4, inserting the words "city or" on lines 2 & 3 of paragraph (C).

Clarification of paragraph (D) of Att. 3 speaks of property that does not have to be presently taxed, but is potentially taxable property located in Kansas. Senator Winter moved to adopt an amendment of paragraph (D) of Att. 4 to make it clearly apply to potentially taxable as well as presently taxed property.

Senator Winter moved to adopt amendment of paragraph (E) of attachment 4. Senator Moran seconded. Motion carried.

Senator Winter moved to amend Section 2(a) by striking numbers 1 and 2. Senator Moran seconded. Motion carried.

Senator Winter made a conceptual motion to make clear that the bill does not require expert opinion on cost benefit analysis. The cost benefit could be done by the local unit. Language could read, "analysis of the costs and benefits". Motion carried.

Senator Winter moved to report S.B. 440 favorably as amended. Senator Salisbury seconded. Motion carried.

SENATE BILL 678 - Establishes the Information Network of Kansas. (I.N.K.)

Senator Francisco moved to favorably report S.B. 678. Senator Salisbury seconded. Motion carried.

SENATE BILL 652 - Modifies the responsibilities of Kansas, Inc.

The minutes of February 28, 1990 reflect that Senator Salisbury made a motion to favorably recommend S.B. 652, and Senator Vidricksen seconded. On that date, final vote was postponed.

Senator Karr made a substitute motion that the oversight review be changed from eight years to four years. Senator Francisco seconded. Substitute motion passed.

Senator Winter made a motion to report S.B. 652 favorably as amended. Senator Salisbury seconded. Motion carried.

SENATE BILL 644 - Amends law to make only new Centers of Excellence subject to external peer review on an annual basis. Attachments 5 & 6 are from KTEC.

Senator Moran made a motion to favorably report S.B. 644. Senator Winter seconded. Motion carried.

Senator Winter made a motion to have Senate Bills 621, 732 and 733 referred to Ways and Means to ensure that they are exempt from the deadline. Senator Vidricksen seconded. Motion carried.

Senator Moran made a motion to request that the Board of Regents make a list of the governing policies for product sales by the student unions, athletic association, etc. Senator Winter seconded. Motion carried.

Senator Winter made a motion to accept the minutes of the February 27th and 28th meetings. Senator Francisco seconded. Meeting adjourned.



BOARD OF TAX APPEALS

*Keith Farrar, Chairman*

*Docking State Office Building, 10th Floor  
Topeka, Kansas 66612-1582  
AC-913 296-2388*

*Victor M. Elliott, Member  
Conrad Miller, Jr., Member  
Charles F. Laird, Member  
Maybelle Mertz, Member*

Senator Dave Kerr  
120 South, Statehouse  
Topeka, Kansas 66603

February 28, 1990

Dear Senator Kerr:

Pursuant to your request, I am writing to clarify what I believe is necessary to effect Senator Winter's proposed amendment to S.B. 440.

There appears to be some confusion as to whether this constitutional exemption can be expanded. The legislature has the authority to pass an exemption so long as there is a public purpose even when it is related to a constitutional exemption. A constitutional exemption can be broadened. However, the legislature can not pass a statute that specifically defines a term, such as "used exclusively," nor can the legislature delegate its authority to grant statutory exemptions.

The solution in this case is to pass a statute that grants an exemption to anyone who meets the criteria the legislature determines appropriate. The exemption can specify that leased property which satisfies the same requirements of the constitutional amendment would be eligible for a 10 year exemption.

If you have further questions, please let me know.

Sincerely,

David C. Cunningham  
Chief Attorney and Secretary

DCC/tt

Sec. 4. The following described property, to the extent herein specified, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

(a) All buildings, together with the land upon which such buildings are located, and all tangible personal property rented or leased from a lessor having a 51% or more ownership interest in the lessee or from a lessor in which the lessee has a 51% or more ownership interest if: (1) Such rented or leased property is integrally associated with other property which has been exempted pursuant to section 13 of article 11 of the Kansas constitution, and (2) such leased property is otherwise used exclusively for the same exempt purpose for which the exemption was granted pursuant to section 13 of article 11 of the Kansas constitution.

(b) The exemption granted pursuant to this section shall expire at the expiration of the same period of years for which the exemption was granted by the county or city for property owned by such lessee.

(c) The provisions of this section shall apply to all taxable years commencing after December 31, 1989.



*Lynne*

MEMORANDUM

TO: Mr. Michael O'Keefe,  
Division of Budget

DATE: January 17, 1990

FROM: Kansas Department of Revenue

RE: S.B. 440, As Introduced

BRIEF OF BILL:

As introduced, Section 1. of this act would require County Commissioners or the governing body of any city to complete certain steps before granting any exemptions from ad valorem property taxation, for economic development purposes, pursuant to section 13 of article 11 of the Kansas constitution.

Specifically, the governing body would be required to develop and adopt policies and procedures including a cost-benefit analysis of the exemption and procedures for monitoring the compliance. The governing body would also have to conduct a public hearing after first publishing notice of the hearing, seven days prior, giving the purpose, time and place of the hearing.

Section 2. would prohibit any local governing body from exempting any tangible personal property, under section 13 of article 11 of the Kansas constitution, unless a factual determination has been made that such an exemption is necessary to retain jobs in the state of Kansas.

Section 3. would require the county or city to file an annual report with the Kansas Department of Revenue including the governing body's exemption policy, the number of exemptions granted and the cost-benefit analysis associated with each, their monitoring procedures, violations, and any other information required by the Department of Revenue.

This act would take effect July 1, 1990.

FISCAL IMPACT:

This act would not impact state revenues but the additional control and justification afforded by a cost-benefit analysis, before granting exemptions, could reduce the number of exemptions granted, thereby retaining some local property tax revenue that might have otherwise been exempted.

ADMINISTRATIVE IMPACT:

There would undoubtedly be some additional administrative costs associated with this new report; however, the extent of these new costs cannot be determined at this time. It is conceivable that every county and every city in the state could be submitting annual reports. The additional workload would depend on how many reports were received, how many exemptions they contained and, more importantly, what type of analysis is expected of the Department.

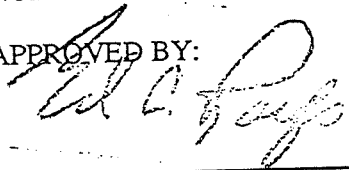
ADMINISTRATIVE PROBLEMS AND COMMENTS:

The bill is unclear as to why the reports are being sent to the Department and what the Department is expected to do with these reports. Language should be added to specify what type(s) of analysis and/or reports are expected of the Department, as well as the due date for submission of the report to the Department.

LEGAL IMPACT:

None.

APPROVED BY:

A handwritten signature in cursive script, appearing to read "Ed C. Rolfs", written over a horizontal line.

Ed C. Rolfs,  
Secretary of Revenue

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.

Session of 1990

SENATE BILL No. 440

By Joint Committee on Economic Development

1-8

4-2

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

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

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

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

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

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

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

30 Sec. 3. No board of county commissioners of any county or the  
31 governing body of any city shall exempt any tangible personal prop-  
32 erty of a business pursuant to section 13 of article 11 of the Kansas  
33 constitution, if such personal property is presently ~~listed on the~~  
34 ~~records of any county appraiser~~ in the state of Kansas, except that,  
35 if the board of county commissioners or governing body of a city  
36 makes a factual determination that such an exemption is required  
37 to retain jobs in the state of Kansas, an exemption may be granted  
38 for such tangible personal property.

39 ~~Sec. 3. Any county or city granting an exemption for any prop-~~  
40 ~~erty from ad valorem taxation pursuant to the provisions of section~~  
41 ~~13 of article 11 of the Kansas constitution shall be required to file~~  
42 ~~an annual report with the Kansas department of revenue. The report~~  
43 ~~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.

4-3



KANSAS  
TECHNOLOGY  
ENTERPRISE  
CORPORATION

January 29, 1990

The Honorable David Kerr  
Kansas State Senate  
Statehouse, Room 120-S  
Topeka, KS 66612

Dear Senator Kerr:

The Kansas Technology Enterprise Corporation (KTEC) respectfully requests a change in the legislative requirements for the Centers of Excellence Program. The request follows completion of the annual report for Fiscal Year 1989 and KTEC board of director review of changes that would enhance KTEC's ability to meet the objectives of K.S.A. 74-8111.

The board of directors recommends that the Centers of Excellence receive an outside peer review every other year rather than once each year. The peer review process requires the dedication of a significant amount of time and resources at each center. A biennial review schedule would reduce administrative costs and allow the centers to concentrate more fully on advancing their programs and meeting the needs of client businesses.

During their formative years, the centers have needed annual reviews and suggestions for enrichment. Now that they have reached a more mature stage and are successfully meeting goals, the centers require less outside evaluation. KTEC's staff and board maintain close contact with each center and regularly monitor their progress through reports, visits and discussions with industrial clients.

The combination of close staff contact and biennial peer reviews should effectively ensure the success of the Centers of Excellence. Such an evaluation system has worked well for other state and federal technology development programs.

KTEC would be pleased to work with you to implement this legislative change. If you have any questions or need additional information, please call me.

Sincerely,

*WGB signed original*

William G. Brundage, PhD.  
President

112 W. 6th, Suite 400 • Topeka, KS 66603

913/296-5272

SENATE ECONOMIC DEVELOPMENT  
3-2-90 Att. *E*



KANSAS  
TECHNOLOGY  
ENTERPRISE  
CORPORATION

TO: MICHAEL F. O'KEEFE, DIRECTOR OF THE BUDGET  
FROM: WILLIAM G. BRUNDAGE *W. Brundage*  
DATE: FEBRUARY 26, 1990  
RE: FISCAL NOTE - SENATE BILL 644

1. Brief Analysis of Legislation: The proposed bill would amend K.S.A. 1989 Supp. 74-8106 to allow for external peer reviews of the existing Centers of Excellence to be conducted every other year. Current statute requires annual reviews of the existing centers.

External peer reviews are designed to assess the centers' progress in meeting the goals of KTEC and to provide suggestions for improvement. The reviews are carried out by a panel experienced in research, business, management and technology transfer. Reviewer reports have been helpful to KTEC's board of directors in making funding allocation decisions and to the centers in planning during their formative years.

With passage of SB 644, external reviews would occur in odd-numbered years. In even-numbered years, KTEC would carry out an internal review of center performance before making funding awards to the centers. KTEC's board and staff will maintain close contact with each center and regularly monitor progress through reports, visits and discussions with industrial clients. This monitoring system has worked well for other state and federal technology development programs.

2. Bill's Effect on KTEC Operations: Administrating outside review panels takes a considerable amount of time and resources. A system of biennial reviews will reduce administrative costs for KTEC and allow the centers to concentrate more fully on advancing their programs and meeting the needs of client businesses.

3. Budgetary Impact: The bill will save KTEC and the centers approximately \$32,000 every other year, not including KTEC staff time.

4. Premise for Budgetary Impact: In 1989, outside reviews for 4 centers cost about \$25,000. The total includes reviewer consulting fees and travel expenses, printing and mailing costs, and center staff time in preparing reports and presentations. Costs would increase to \$32,000 in future years to include the fifth KTEC center.

5. Ability to Implement Bill with Approved Staffing and Operating Levels: The bill will improve KTEC's ability to manage the centers program with existing staff and reduce operating costs.

6. Long-range Fiscal Impact: The bill will save KTEC \$32,000 every other year and allow the centers to concentrate on operating their programs.