

Approved February 27, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by REPRESENTATIVE M. J. JOHNSON at
Chairperson

1:35 ~~AM~~ p.m. on FEBRUARY 25, 1991 in room 521-S of the Capitol.

All members were present except:

Representative Macy, excused

Committee staff present:

Mike Heim, Legislative Research Dept.
Theresa Kiernan, Revisor of Statutes
Connie Smith, Committee Secretary

Conferees appearing before the committee:

Representative Carl Holmes
Lee Courtney, Mayor of Liberal
Don Guild, President, Seward County Community College
Don Witzke, President, USD #480 Board of Education
Jerry Lindberg, Executive Vice President, Liberal Area Chamber of Commerce
C. J. Wettstein, Chairman of the Board of County Commissioners of Seward County

Chairman Johnson had a bill request for herself and the Wyandotte County Delegation. Chairman called the committee's attention to newspaper clippings pertaining to the resort hotel proposal that has been proposed by the Wyandotte County Commissioners. (Attachment 1) Chairman explained that last week the commissioners had a meeting where they passed a motion to put it up to a vote of the people before they leased the county property for the building of a hotel. Our election commissioners cannot put it on the April 2 ballot unless something is in the statutes directing her to do so. Chairman Johnson asked Theresa Kiernan, staff, to explain the bill, 1 RS 1152. (Attachment 2) Ms Kiernan explained that Chairman Johnson stated that the board of county commissioners had adopted a resolution authorizing the election.

Chairman Johnson entertained a motion to have the bill introduced. A motion was made by Representative Brown to introduce the bill; seconded by Representative Watson. The motion carried.

Chairman Johnson recognized Representative Sherman Jones, chairman of the Park Board, who was available for questions from the committee. Chairman explained that the election commissioner has to have the information by March 4 in order to get it on the April 2 ballot. Chairman asked the committee if there were any objections or any questions. No questions from the committee.

Chairman entertained a motion to pass the bill, out of committee. A motion was made by Representative Gomez to pass the bill out of committee, seconded by Representative Watson. The motion carried.

Mike Heim, staff, explained a bill request on behalf of Ernie Mosher, League of Kansas Municipalities, relating to the investment of public moneys. (Attachment 3)

Representative Holmes moved to introduce the bill request; seconded by Representative Sluiter. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT,
room 521-S, Statehouse, at 1:35 ~~a.m.~~/p.m. on FEBRUARY 25, 1991.

Chairman Johnson opened a hearing on HB 2341.

HB 2341 - relating to property taxation; exempting certain property owned by the city of Liberal.

Representative Carl Holmes, sponsor of HB 2341, appeared before the committee and presented a copy of a Resolution dated February 6. (Attachment 4) Representative Holmes introduced Senator Janice Lee McClure who is carrying a like bill in the Senate. Representative Holmes introduced constituents from Liberal who would be testifying on HB 2341.

A packet was presented to the committee which included testimony of the city of Liberal supporting HB 2341. (Attachment 5) Written testimony in the packet in support of HB 2341 was provided by:

- Lee Courtney, Mayor of Liberal
- Don Guild, President, Seward County Community College
- Don Witzke, President, USD #480 Board of Education
- Jerry, Lindberg, Executive Vice President, Liberal Area Chamber of Commerce

Also available for any questions was Liberal city manager, John Rudd and Convention and Tourism Director, Joe Davis, who are in support of HB 2341.

C. J. Wettstein, chairman of the Board of County Commissioners of Seward County testified in opposition on HB 2341 and provided written testimony. (Attachment 6)

Mr. Wettstein and Mr. Rudd responded to questions from the committee.

Chairman closed the hearing on HB 2341.

Representative Mollenkamp moved to approve the minutes of February 21, 1991. Seconded by Representative Brown. The motion carried.

Meeting adjourned at 2:38 p.m.

LH
2-25-91
attach. 1

Hotel referendum legality not clear

By KATHY ISAACSON
Kansan Staff Writer

A public referendum on whether a resort hotel should be built in Wyandotte County Lake Park should be placed on the April 2 general election ballot, the county commission voted unanimously Wednesday.

Whether the issue can legally be placed on the ballot is still in question. County Election Commissioner Liz Malloy said today Kansas statute dictates the type of issues that may be voted on by the people. She added that county counselor staff must determine if the matter falls within statute guidelines for binding elections, since she can only hold binding elections.

Mrs. Malloy added the county also needs sufficient time to publish legal notices concerning the referendum.

More than 600 Wyandotte Countians packed the Pierson Park community center Wednesday to hear the commission and representatives of the developers discuss a proposed lease agreement to build a \$12 million facility on 12 acres near the old Stotler house in the park.

For more than three hours, the audience waived banners, heckled speakers and shouted protests. About 30 residents addressed the commission about concerns that the project would damage the park. Half of the speakers called for the commis-

sioners to allow the public to vote on the matter.

Commissioner Verdis Robinson made a motion at the end of the meeting to allow the public to decide whether the hotel should be built.

"I heard a person say there are 2,000 complaining about a hotel at the lake, but there are 142,000 in Wyandotte County who've said nothing," Mrs. Robinson told the audience. "My concern is that we should hear from the silent majority."

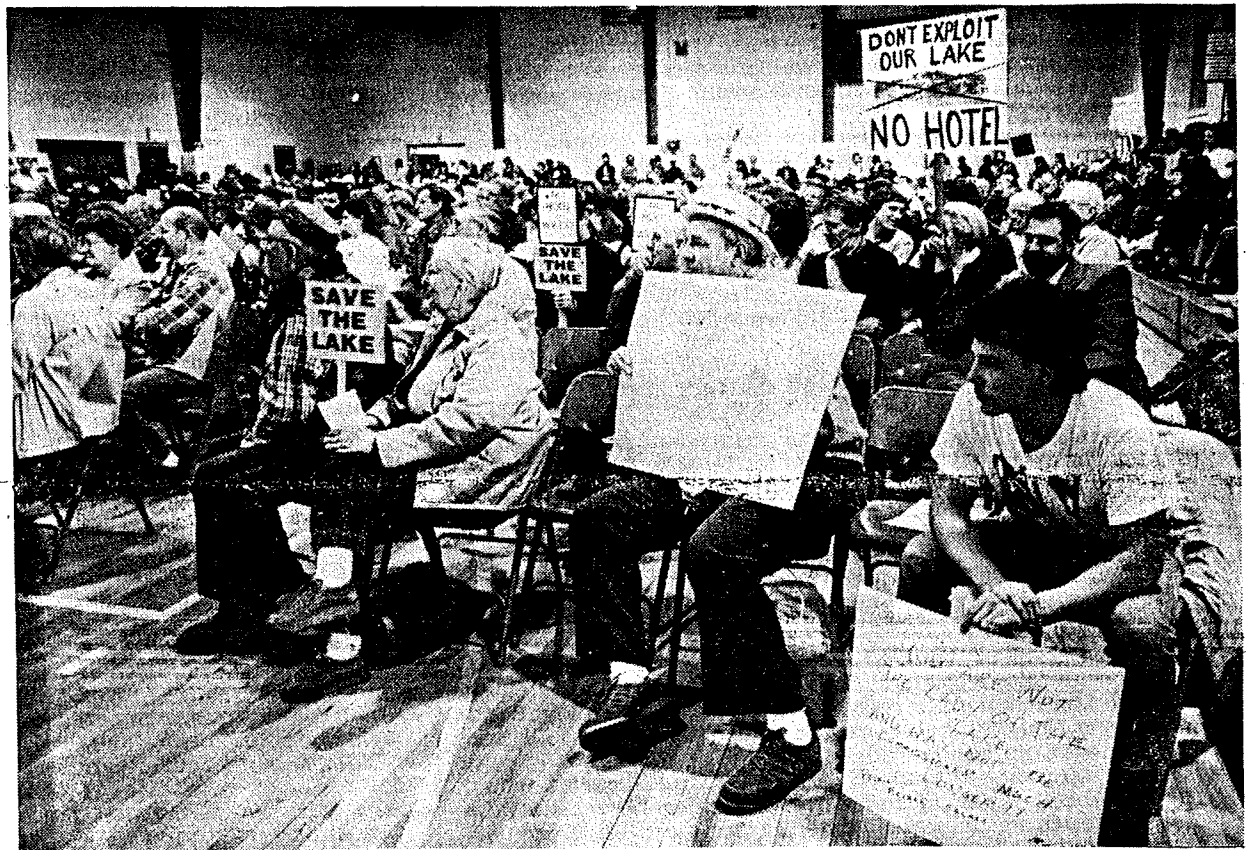
"I want the issue on the April 2 ballot," she added. "After all, the park belongs to the people."

Commissioner Kay Nies said after the meeting the wording of the referendum is in question. She added she didn't know whether the referendum would be based on the lease agreement or on the simple question of whether there should be a hotel in the park.

The tentative lease agreement between the county and the Wyandotte Development Company, Inc. (WDC) calls for the lessees to pay the county no less than \$25,000 annually and no more than \$75,000 annually based on a \$1 per room occupancy rate. In addition, the county is calling for the lease payment to be tied to the consumer price index. WDC said it would consider that addition to the lease.

Statistics on the lease presented during the public session by local resident Eddie Powers Jr. were later disputed by Interim County Counselor

(See HOTEL, page 8)



Kansan Photo by Rich Grosko

More than 600 Wyandotte Countians attended a boisterous public hearing Wednesday at the Pierson Park community center to voice their opposition to building a hotel on county property. Private investors and their representatives attended the meeting to explain the proposal for the \$12 million resort facility.



Hotel

(Continued from page 1)

Paul Gurney.

Powers said the lease actually amounted to 10 cents per room, not a dollar. Gurney said Powers dropped a zero in his multiplication and that the contract is correct as it reads.

A principal investor in the project, Gus Fasone, owner of Fasone's Supper Club and developer of Sandstone Amphitheatre, is working on a contract with Trusthouse Forte Hotels, Inc. Trusthouse is an international hotel chain which would manage and direct the project.

John Steinkamp, vice president of franchise development, said Trusthouse will provide technical expertise to the architects, Gene Buchanan Architects & Associates of KCK, and maintain the hotel as a four-star facility.

Under the terms of the lease, Fasone, Clayton & Brown Associates Inc. of Chicago, an investment banking firm, and several silent investors would provide all of the financing for the project.

If WDC defaults on the loan, Clayton & Brown will get the lease. The county will take over all of the property if the lessees go bankrupt.

Opponents in the audience shouted that they didn't trust the county or investors.

Fasone said today he's in favor of a referendum vote.

"Let the people decide it," he said.

The Save the Lake Committee

presented an organized effort at the Wednesday meeting. Signs and buttons were handed out. Contributions were taken.

Craig Wolfe, spokesman for the committee, and representative of the Sierra Club, said before the meeting the committee has collected 4,200 signatures against the hotel proposal.

Wolfe said the whole project was suspect because of the relationship between former county engineer Bob Wessel and Commissioner Frank Lipovitz, who's his brother-in-law, and Mrs. Nies, who is a friend of Wessel.

Wolfe claims Wessel is involved in the project.

Fasone said at a meeting before the public hearing that Wessel won't be involved in the project.

Other speakers at the meeting talked about the harm the hotel could do to the park.

Tom Kobolt, KCK, likened the plan to put a hotel on public land to the invasion of Kuwait. He said local people needed to stand up for what is theirs.

"If saying no means losing the hotel project, so be it," Kobolt said. "Developers won't abandon this area just because residents want to save our parks."

Troy Gordon commented that the plan wasn't in the best interest of the public or the birds and animals that inhabit the park. He criticized Mrs. Nies for not standing up for the people.

"I voted for you because you were going to get rid of old style politics," he said. "You have betrayed our trust completely."

A long-time resident who lives

next to the park asked for a feasibility study before the lease is signed, not after. She said she didn't think the project would work.

"That messy hotel you talk about is too big for Wyandotte County," Tommy O'Bannon said.

John Feedback also questioned the lease and whether the commission knew what it was getting into.

"All we have is a picture of the bride to be," he said, pointing to the architectural rendering. "I'm not here to buy a pig in the poke."

A small minority of residents in the crowd showed its support Wednesday by clapping for the investor's representatives.

Bill Ray, president of the Kansas City, Kan., Chamber of Commerce, said the chamber supported the project and that it would boost the economy. Hal Bassett, director of the KCK Area Convention Bureau said the area desperately needs a hotel to attract more business to the area.

Carey Massey, director of the YMCA, also gave his support to the concept of the hotel conference center. He was booed by the crowd.

Fasone said he hadn't realized the proposal would anger so many people.

"I'm certainly sorry that some people feel that we were out there to injure them," he said. "Our whole thought was to help."

Decision set Tuesday on hotel referendum

By KATHY ISAACSON
Kansan Staff Writer

A decision on whether to hold a referendum vote concerning the "hotel on the lake" controversy on the general election ballot or hold a mail-in ballot vote may be made by the Wyandotte County Commission by Tuesday.

Interim County Counselor Paul Gurney said he will present the two options to the commission at its regularly scheduled meeting.

The commission voted unanimously on Wednesday to allow voters to decide whether Wyandotte Development Company Inc. (WDC) and Trusthouse Forte Hotels Inc. should be allowed to build a resort hotel in the county lake park.

The deadline for putting the controversy to a vote of the people by the April 2 general election is March 12.

Gurney said there would be no deadline for holding the vote by mail. He added that the main drawback would be the cost.

Early estimates indicate it would cost the county about \$40,000.

Gurney said the mail-in vote would not be binding.

If the county chooses to put the issue on the ballot, Gurney said state statute requires three conditions be met.

The conditions include getting the approval of all three commissioners on the lease; getting enough protest petitions to hold the election; and putting the leasing process to a bid.

Bidding out the project could cause some problems, Commissioner Frank Lipovitz said today.

According to Lipovitz, Trusthouse was the only hotel chain contacted by development representatives who was interested in building a hotel anywhere in the county.

"I don't think it's a good idea to go to their competitors and ask them what they could do to their (Trusthouse's) idea," he said.

Rep. Mary Jane Johnson, D-KCK, along with Sen. B.D. Kanan, D-KCK, is trying to get an amendment added to

Kanan's current bill that limits the county's home rule powers and forbids the county from putting in development in or adjacent to the park.

The proposed amendment would allow the issue to be put to a vote of the people, without having to put the project up for bid. The amendment would also change the language of the bill so that home rule power wouldn't be questioned.

"All it does is give the commissioners the tool they need to put the issue on the April 2 ballot," Ms. Johnson said. "My interpretation is that they could do it without putting it up for bid. I think this would be a way of getting around it."

Kanan's bill is currently being held up in committee because it usurps home rule, Ms. Johnson said. She added that Sen. Don Montgomery, R-Sabetha, said today he might consider discussing the bill and amendment on Monday if the entire Wyandotte County delegation approved the amendment.

Ms. Johnson said most of the delegation members contacted favored the change.

HOUSE BILL NO. _____

By Committee on Local Government

AN ACT concerning Wyandotte county; relating to Wyandotte county lake.

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

Section 1. Notwithstanding the provisions of K.S.A. 19-2855, and amendments thereto, no property located on the Wyandotte county lake may be sold, leased, developed or otherwise used for commercial hotel purposes unless: (a) An election, approving such sale, lease, development or use, has been authorized, by resolution, which has been adopted by the board of county commissioners; and (b) such sale, lease, development or use is approved by a majority of the qualified electors of the county voting thereon at any city, county or school district election, or elections, encompassing all qualified electors of the county. Any such election shall be called and held in the manner provided by the general election law or the general bond law.

Sec. 2. This act shall take effect and be in force from and after its publication in the Kansas register.

LY
2-25-91
Attack. 2

February 21, 1991

Representative Mary Jane Johnson, Chairperson
House Committee on Local Government
State Capitol, Room 426-S
Topeka, KS 66612

Dear Chairperson Johnson:

The League of Kansas Municipalities, Kansas Association of Counties and Kansas Association of School Boards, respectfully request the House Committee on Local Government to introduce a bill relating to the investment of public moneys. We would like the Committee to introduce a new bill similar to HB 2984, introduced by the Local Government Committee in 1990.

A copy of the first page of this bill is attached. While the 1990 bill covered four pages, the only substantive change is shown on lines 25:27. As you will note, it adds to the local investment options that now exist the authority for cities, counties, school districts and other units to invest their inactive moneys in the same manner that the proceeds from bonds and temporary notes may be invested. For your convenience, a copy of K.S.A. 10-131, incorporated by reference in the proposed bill, is enclosed.

You will recall that the House Committee on Local Government last session favorably reported this bill, notwithstanding the opposition of the Kansas Bankers Association. It was killed by remaining on the calendar on the last day for action on bills still in the house of origin. As you know, a number of bills have been introduced in the past in an attempt to reduce local taxes by increasing the rate of return on invested public funds through broader investment authority. All of them have been killed. Frankly, we have no great confidence that the attached bill will pass in 1991. Nevertheless, it is an important public issue that needs to be addressed and our respective associations will work to try and secure its passage.

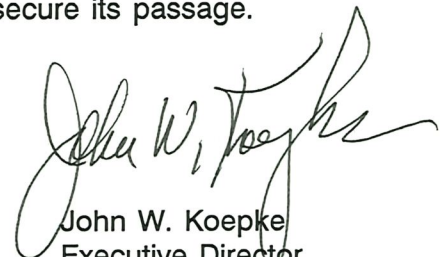
Sincerely,



E.A. Mosher
Executive Director
League of Kansas Municipalities



John Torbert
Executive Director
Kansas Association of Counties



John W. Koepke
Executive Director
Kansas Association of
School Boards

JW
2-25-91
Attach. 3

HOUSE BILL No. 2984

By Committee on Local Government

2-9

9 AN ACT concerning the investment of public moneys; amending
10 K.S.A. 1989 Supp. 12-1675 and repealing the existing section.

11

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

13 Section 1. K.S.A. 1989 Supp. 12-1675 is hereby amended to read
14 as follows: 12-1675. (a) The governing body of any county, city,
15 township, school district, area vocational-technical school, community
16 college, firemen's relief association, community mental health center,
17 community facility for the mentally retarded or any other govern-
18 mental entity, unit or subdivision in the state of Kansas having
19 authority to receive, hold and expend public moneys or funds may
20 invest any moneys which are not immediately required for the pur-
21 poses for which the moneys were collected or received, and the
22 investment of which is not subject to or regulated by any other
23 statute.

24 (b) Such moneys shall be invested only in:

25 (1) *The manner authorized for the investment of the proceeds of*
26 *bonds or temporary notes as authorized by K.S.A. 10-131, and*
27 *amendments thereto;*

28 ~~(1)~~ (2) temporary notes or no-fund warrants issued by such in-
29 vesting governmental unit;

30 ~~(2)~~ (3) time deposit, open accounts or certificates of deposit: (A)
31 In commercial banks which have offices located in such investing
32 governmental unit; or (B) if the office of no commercial bank is
33 located in such investing governmental unit, then in commercial
34 banks which have offices in the county or counties in which all or
35 part of such investing governmental unit is located; or (C) if such
36 appropriate eligible commercial banks cannot or will not make de-
37 posits available to the investing governmental unit at interest rates
38 equal to or greater than the average yield before taxes received on
39 ninety-one day United States treasury bills as determined by the
40 federal reserve banks, as fiscal agents of the United States, at its
41 most recent public offering of such bills prior to the inception of
42 such deposit contract, then in commercial banks which have offices
43 in the county or counties of the state of Kansas adjacent to the

10-131. Investment of proceeds of ^{is}
or temporary notes and certain funds author-
ized; disposition of interest received there-
from. The governing body of any municipality,
as defined in K.S.A. 10-101, and amendments
thereto, which has issued or may issue bonds
or temporary notes for any purpose, is hereby
authorized and empowered to invest any por-
tion of the proceeds of such bonds, notes or
funds held pursuant to the resolution or or-
dinance authorizing the issuance of such bonds
or notes, which is not currently needed, in:
(a) Investments authorized by K.S.A. 12-1675,
and amendments thereto, in the manner pre-
scribed therein; (b) direct obligations of the
United States government or any agency
thereof; (c) the municipality's temporary notes
issued pursuant to K.S.A. 10-123, and amend-
ments thereto; (d) interest-bearing time de-
posits in commercial banks located in the
county or counties in which the municipality
is located; (e) obligations of the federal national
mortgage association, federal home loan banks
or the federal home loan mortgage corporation;
(f) repurchase agreements collateralized by se-
curities described in (b) or (e) above; (g) in-
vestment agreements with or other obligations
of a financial institution the obligations of
which at the time of investment are rated in
either of the three highest rating categories by
Moody's investors service or Standard and
Poor's corporation; (h) investments in shares or
units of a money market fund or trust the port-
folio of which is comprised entirely of securities
described in (b) or (e) above; (i) receipts evi-
dencing ownership interests in securities or
portions thereof described in (b) or (e) above;
(j) municipal bonds or other obligations issued
by any municipality of the state of Kansas as
defined in K.S.A. 10-1101, and amendments
thereto, which are general obligations of the
municipality issuing the same; or (k) bonds of
any municipality of the state of Kansas as de-
fined in K.S.A. 10-1101, and amendments
thereto, which have been refunded in advance
of their maturity and are fully secured as to
payment of principal and interest thereon by
deposit in trust, under escrow agreement with
a bank, of securities described in (b) or (e)
above. The interest received on any such in-
vestment shall upon receipt thereof be set
aside and used for the purpose of paying in-
terest on the bonds or notes issued or used
for paying the cost of the project for which the
bonds or notes were issued.

History: L. 1947, ch. 106, § 1; L. 1949,
ch. 113, § 1; L. 1953, ch. 56, § 1; L. 1971,
ch. 38, § 1; L. 1971, ch. 39, § 1; L. 1976, ch.
62, § 1; L. 1977, ch. 54, § 2; L. 1980, ch. 52,
§ 1; L. 1987, ch. 60, § 2; L. 1988, ch. 66, §
1; L. 1989, ch. 48, § 64; July 1.

CASE ANNOTATIONS

1. General improvement temporary notes issued under 12-16a14 governed hereby; interest income must set off expense applicable to specific project. *Mallon v. City of Emporia*, 11 K.A.2d 494, 498, 726 P.2d 1354 (1986).

Commissioners Meeting
FIRST AND THIRD MONDAY OF
EACH MONTH AT 1:00 P.M.

Board of County Commissioners
Seward County, Kansas
Liberal, Kansas 67901

February 6, 1991

Representative Carl Holmes
State Capitol Building
Topeka, Kansas 66601


Senator Janice McClure
State Capitol Building
Topeka, Kansas 66601

Dear Carl & Janice:

Thank you for your efforts to give some relief to the city of Liberal. We also support efforts to give relief to Liberal and request that any legislative relief be drafted in the narrowest terms possible. We feel that this predicament and its solution should not serve to circumscribe, limit, or influence future relationships between counties and cities. Therefore, we do not support any legislative remedy which would limit or influence future Seward County Commissions in their taxing relationship with the city of Liberal beyond the end of the term of the present County Commissioners.

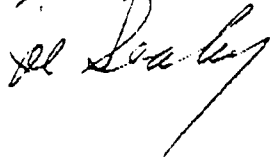
Thank you again for your efforts in our behalf.

Sincerely,


C.J. Wettstein, Chairman


Stan Boles, Vice Chairman

Joe Sealey, Member



JS
2-25-91
Attach. 4

RESOLUTION NO. 91-5

A RESOLUTION CONCERNING DELINQUENT TAXES, PENALTIES AND INTEREST OF THE CITY OF LIBERAL.

WHEREAS, the City of Liberal, Kansas owns oil and gas producing property and has received royalty income from said property since 1984 and has not paid personal property taxes thereon, through and including the year 1990, and,

WHEREAS, the City of Liberal, Kansas did file a request for an exemption from taxation on said oil and gas producing property before the Board of Tax Appeals of the State of Kansas in Docket No. 0994-86-TX, and,

WHEREAS, the Board of Tax Appeals of the State of Kansas, did deny said request of the City of Liberal, Kansas, exempting the royalty income from personal property taxation and the City of Liberal, did appeal said decision through the Courts of the State of Kansas, and,

WHEREAS, the Supreme Court of the State of Kansas, on the 5th day of December, 1990, in Case No. 89-64358-A, did uphold the ruling of the Board of Tax Appeals of the State of Kansas, and deny the exemption relief from personal property taxation on the royalty income received by the City of Liberal, and,

WHEREAS, the City of Liberal, Kansas, has now a tax delinquency in the amount of \$121,046.84 incurred from 1984 to 1990 inclusive, and a further delinquency of penalties and interest in the amount of \$62,880.45 incurred from 1984 through 1990 inclusive, and,

WHEREAS, the payment of said taxes, penalties and interest would cause severe financial hardship on the City of Liberal, Kansas.

NOW THEREFORE BE IT RESOLVED by the Board of County Commissioners of Seward County, Kansas, that;

The Board of County Commissioners of Seward County, Kansas, request that the legislature of the State of Kansas, grant to the Board of County Commissioners of Seward County, Kansas, the authority to abate, cancel and discharge all delinquent personal property taxes, penalties and interest incurred by the City of Liberal, Kansas, from the oil and gas royalties received by the City of Liberal, Kansas, from 1984 to 1990 inclusive.

The Board of County Commissioners of Seward County, Kansas, request that the legislature of the State of Kansas, grant the authority to the Board of County Commissioners to abate, cancel and discharge said taxes, penalties and interest incurred by the City of Liberal, Kansas until December 31, 1992.

County Resolution 91-5
February 4, 1991
Page 2

BE IT FURTHER RESOLVED that the County Clerk of Seward County, Kansas, submit a copy of this Resolution to Senator Janice McClure and Representative Carl Dean Holmes.

THE ABOVE AND FOREGOING RESOLUTION having been duly made by motion, seconded, and adopted by the majority of the Board of County Commissioners of Seward County, Kansas, on the 4th day of February, 1991.



Chairman Board of County Commissioners
C.J. Wettstein

Seward County Clerk,
Dorothy Sanborn

HOUSE BILL NO. _____

By Representative Holmes

AN ACT relating to personal property taxation; exempting certain property therefrom owned by the City of Liberal.

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

Section 1. The following described personal property, to the extent herein specified, shall be and is hereby exempt from all personal property ad valorem taxes levied under the laws of the state of Kansas:

~~Personal property~~ arising or deriving from real property owned by a city pursuant to a quitclaim deed from the federal government dated May 28, 1948, as corrected by deed dated April 21, 1949, under which the property cannot be used, leased, sold, salvaged, or disposed of for other than airport purposes or it reverts to the federal government.

The provisions of this Section shall be applicable to all taxable years from ~~1948-1952~~ inclusive.

Section 2. This Act shall take effect and be enforced from and after its publication in the Kansas Register.

TESTIMONY OF
THE CITY OF LIBERAL, KANSAS
SUPPORTING HOUSE BILL 2341
MONDAY, FEBRUARY 25, 1991

Before the Local Government Committee
of the Kansas House of Representatives

Presented by:

Lee Courtney,
Mayor
City of Liberal, Kansas

LL
2-25-91
Attach. 5

Chairperson Johnson & Members of the Committee:

My name is Lee Courtney, Mayor of the City of Liberal. I am here to testify on House Bill 2341 which is before the Committee Today. The bill relates to the taxation of the City's airport royalty interest and exempts the oil and gas royalty interest owned by the City of Liberal from 1984 through 1992. It should be pointed out that we are seeking only a limited time exemption.

The land comprising the original Liberal Municipal Airport was owned by the federal government and used as a B-24 training base during World War II. When the military needs for the facility ceased, the airport was conveyed to the City of Liberal on May 28, 1948 to serve the civil aviation needs of the flying public. As required by the federal government since the conveyance of the airport, as airport property is dedicated for public use, use of this property is restricted to uses that are compatible with airport operation. These would include incidental uses of farming, recreation, drilling and/or production of oil and/or minerals, etc. While the incidental uses are being made of the land, it remains available for other uses that may be considered necessary for future development of the airport. The City is required by federal regulation to use all funds generated on the airport for aeronautical purposes. All money collected from

royalties have been used entirely on the airport. The intent of the federal government in conveying the airport properties to the City, was to provide sufficient income, from rentals, leases, and royalties, to make the airport as self supporting as possible. The FAA encourages municipal airports to utilize all airport property to generate income so as to reduce the amount of tax revenue necessary for the maintenance, operation, and development of the public use airport. I have attached to my testimony a letter from the FAA dated April 7, 1990 to the Liberal City Engineer that will confirm my remarks.

Since the early 1950's the City, from time to time, has entered into oil and natural gas leases with a variety of companies and received oil and gas royalties from the production on the former Liberal Airbase. The oil and gas royalties income to the airport peaked in the mid 1980's although the City continues to receive revenue today.

In 1987, Seward County assessed the tax on the royalty interest going back three years to 1984. The City appealed to the Board of Tax Appeals, the courts of Kansas, including the Supreme Court, but failed to get relief on the matter.

The total tax on the royalty interest due from 1984 to the present amounts to \$121,447 plus penalties and interest in the amount of

\$62,880. The airport royalty property taxes liability total \$182,927. During the time of appeal, the values of the royalty income were not added to the local government tax base, therefore, it did not affect their tax levies. If abatement of the tax is granted it would not reduce any of the local government tax bases.

I am sure the members of the Committee are well aware that although airports are the economic lifeblood of any rural Kansas community, airports are not self-supportive. The City of Liberal taxpayers contribute an equivalent to 2-1/2 mills, or approximately \$150,000 dollars each year for support of our municipal airport. That \$150,000 dollars is in addition to other revenues received by the airport such as royalties, rents, leases and other service charges. Our municipal airport does not have funds on hand to pay the tax liability and if the airport is required to pay, the City would have to issue no fund warrants. The only loser will be the taxpayer of the City of Liberal.

Liberal's relationship with our County is much different than in other communities. The City of Liberal residents make up 89% of the population of Seward County. It has been calculated that should the City of Liberal be required to pay the royalty property tax penalties and interest, the effect on the tax levy for City of Liberal would require a 2.637 mill increase or approximately \$156,000 increase in the property tax levied by the City. The

effect on the mill rates for other units of government would be as follows: State of Kansas, no effect; Seward County, down .512 mills; Liberal USD #480, down .574 mills; Seward County Community College, down .110 mills. The net effect would be an increase of 1.441 mills for each City of Liberal taxpayer.

I have included, attached to my testimony, exhibits on the property tax effect for the taxation, prepared by the Liberal City Manager. Also included is a copy of the Resolution adopted by the Liberal City Commission supporting the legislative effort.

The City of Liberal felt that the support and operation of our municipal airport was a very important community issue. To that end, we contacted the units of government which would be affected by change in the taxation of the airport. We contacted Seward County Board of Commissioners, Board of Education for Liberal USD #480, Board of Trustees of Seward County Community College, and the City of Liberal. Those four bodies make up 99% of the taxes levied and received for operation of the various units of local government. These bodies have all united in support of our legislative effort to correct the problem.

In summary, the airport taxation issue faced by the Liberal Airport, developed over a variety of years and we in Liberal, have attempted to come to a community consensus in order to avoid

severe financial hardship for our airport and to alleviate as much as possible, the impact on the local taxpayer. Our airport is not a "for profit" organization. It is in existence because of financial support from the rentals and leases on the property, royalty income generated from the oil and gas leases, and by the property tax payer. The consensus of all the governing bodies affected by the Liberal Airport taxation was that if the taxes would be required to be paid, it would result in a minimal reduction of taxes outside the City, but would require a substantial tax increase for the 89% of the County resident taxpayers in the City. With your support we will be able to go forward with providing excellent service for our aviation public and provide some necessary relief for the Liberal taxpayer.

It my pleasure to introduce the representatives for the other governmental units who have come 350 miles today to speak briefly on how important the legislation is for our community.

Representing Seward County Community College is Don Guild who is the president.

Don Witzke, who is the president of the Liberal USD #480 Board of Education, is representing USD #480 Board.

In addition, also present, is Jerry Lindberg the Executive Vice President of the Liberal Chamber of Commerce, representing the Board of Directors for the Liberal Area Chamber of Commerce.

The County Commission was unable to attend due to previous commitments, but we have their full endorsement.

Also available for any questions, is Liberal City Manager, John Rudd and Convention & Tourism Director, Joe Davis.



U.S. Department
of Transportation

Federal Aviation
Administration

Central Region
Iowa, Kansas,
Missouri, Nebraska

601 E. 12th Street
Kansas City, Missouri 64102

APR 17 1990

Mr. Larry Mangan
City Engineer
P.O. Box 2199
325 North Washington
Liberal, KS 67905-2199

Dear Mr. Mangan:

Liberal Municipal Airport
Liberal, Kansas
Public-Use Property
Telephone Conversation Dated April 10, 1990

Land comprising the original Liberal Municipal Airfield was owned by the Federal Government and was used as a military airfield during World War II. At this time, all land and facilities were considered necessary for aeronautical purposes. When military needs for the facility ceased, the airport was conveyed to the city of Liberal, Kansas, by Quitclaim Deed dated 28 May 1948, as corrected by Deed dated 21 April 1949, to serve the civil aeronautical needs of the flying public. At this time, all land and facilities were also considered necessary for aeronautical purposes. It was recognized at the time of this transfer that some of the land may be used to provide revenue for the maintenance, operation, and development of the airport. The City is required to use all funds generated on the airport for aeronautical purposes.

The Federal Government has entered into a number of grant agreements with the City after 1948, and federal funds have been expended for various items of airport development. Part II, Section C (copy enclosed) of the project application, attached to, and made a part of the latest Grant Agreement Project Number 3-20-0050-03 dated June 30, 1989, required the City to provide an Exhibit A depicting land dedicated for aviation use by the aeronautical public. This property is considered necessary for maintenance operation, and development of the airport. This would include such item as land for the runways, taxiways, apron areas, etc.; provide line of sight; noise compatibility; and etc. All of this property is considered public airport property necessary to serve the aeronautical needs of the flying public.

Part V, "Assurances" (copy enclosed), has been incorporated in the latest grant agreement with the City. Paragraph 29 of these assurances require the City to keep a current Airport Layout Plan (ALP) showing the present boundaries and all facilities dedicated for public airport use along with future development planned for the airport. One of the sheets prepared as part of this ALP is a land-use plan depicting the use to be made of the property. This ALP is also approved by the Federal Aviation Administration (FAA). All development and use of the airport property by the city must be in accordance with the current approved ALP.

Paragraphs 19, 20, 21, and 22 of these assurances requires the City to maintain and operate the airport in a safe and serviceable condition, and to keep the airport open to the public on a fair, reasonable, and non-discriminatory basis.

Paragraphs 24, 25, and 26 of these assurances requires the City to establish and maintain a schedule of fees and charges to make the airport as self-supporting as possible. We strongly encourage airport owners to utilize all airport property to receive income, so as to reduce the amount of tax revenue necessary for the maintenance, operation, and development of the public-use airport. As airport property is dedicated to a public purpose (aeronautical), use of this property is restricted to uses that are compatible with airport operations. This would include such incidental uses as farming, recreational, drilling and/or production of oil and/or minerals, etc. While these incidental uses are being made of the land, it remains available for any other use which may be considered necessary for the future development of the airport.

Under our compliance program, we periodically review sponsors of surplus military and airports developed with federal funds to determine if they are in compliance with their obligations. The latest compliance determination for this airport was dated July 21, 1988, and at this time, we had no knowledge that the airport property was being used for other than airport purposes to serve the aeronautical needs of the flying public. We know of no taxing authority that requires another political sub-division to pay taxes on public-use airport property.

We hope this letter will be adequate to serve your needs. If you have any questions, feel free to call this office (816-426-6619).

Sincerely,



Louis E. Oberkrom
Compliance Specialist

RESOLUTION NO. 1304

A RESOLUTION SUPPORTING THE CITY OF LIBERAL'S EFFORT TO EXEMPT THE LIBERAL MUNICIPAL AIRPORT FROM PROPERTY TAXATION.

WHEREAS, the City of Liberal Municipal Airport's royalty interest was assessed as personal property for the years 1984 through 1990, and

WHEREAS, the airport royalty personal claimed property tax, interest and penalty liability for 1984 through 1990 is \$212,244.92 of which \$89,342.55 is claimed as penalties and interest, and

WHEREAS, 100% of the royalty income for the Liberal Municipal Airport is used exclusively for the operation and maintenance of the airport and its facilities, and

WHEREAS, The City of Liberal would receive a portion of the taxes generated by the Airport royalty taxation, and

WHEREAS, it would not be prudent for one tax supported local government agency to tax another tax supported local government agency,

NOW, THEREFORE, BE IT RESOLVED by the City Commission that:

1. The City Commission supports and encourages the Kansas State Legislature to enact legislation to abate, cancel and strike from the tax rolls all delinquent and future personal property taxes levied against the City of Liberal.
2. The City Clerk is hereby directed to provide a copy of the Resolution to Senator Janice McClure and Representative Carl D. Holmes.

ADOPTED this 21st day of January, 1991.

Lee Courtney

Lee Courtney, Mayor

Debra S. Giskie

Debra S. Giskie, City Clerk

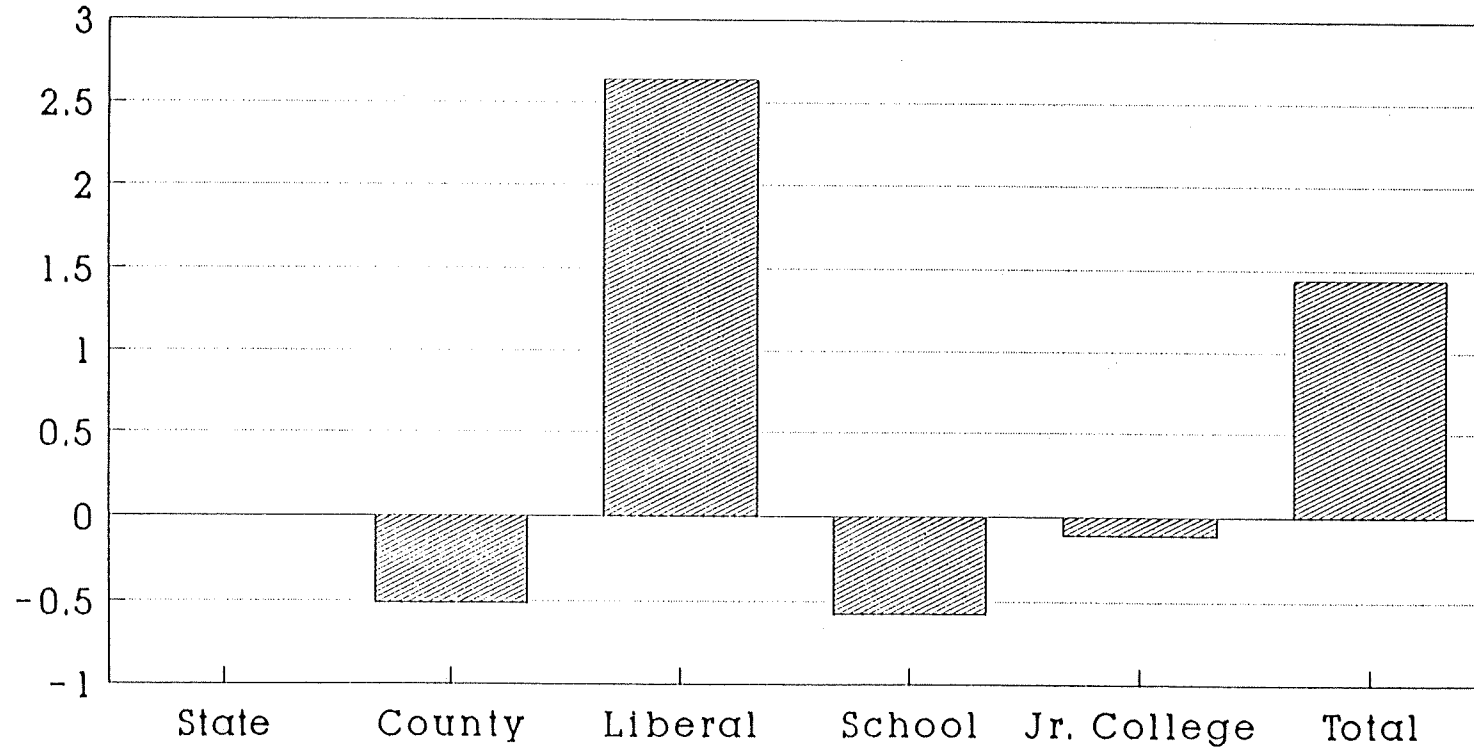
Liberal Airport Taxation General Information				
Unit of Government	Property Value	Current Mill Rate	% Share of Taxes	
State of Kansas	\$153,891,628	1.500	1.17%	
Seward County	\$153,891,628	16.910	13.17%	
City of Liberal	\$59,175,508	29.553	23.01%	
Liberal – U.S.D. 480	\$102,686,373	62.576	48.73%	
Seward Co. Comm. Coll.	\$153,891,628	17.880	13.92%	
Total		128.419	100.00%	

Unit of Government Share in Airport Tax				
Unit of Government	Share of Royalties Airport Tax	Share of Penalties & Interest	Share of Total	
State of Kansas	\$1,414	\$0	\$1,414	
Seward County	\$15,939	\$62,880	\$78,819	
City of Liberal	\$27,856	\$0	\$27,856	
Liberal – U.S.D. 480	\$58,984	\$0	\$58,984	
Seward Co. Comm. Coll.	\$16,854	\$0	\$16,854	
Total	\$121,047	\$62,880	\$183,927	

Airport Royalty Property Taxes, Penalties & Interest				
Unit of Government	Share of Airport Tax Pen & Int	Less Tax Payment	Net Share of Airport Tax Pen & Int	Effect on Mill Rate
State of Kansas	\$1,414	\$0	\$1,414	0.000
Seward County	\$78,819	\$0	\$78,819	-0.512
City of Liberal	\$27,856	\$183,927	(\$156,071)	2.637
Liberal – U.S.D. 480	\$58,984	\$0	\$58,984	-0.574
Seward Co. Comm. Coll.	\$16,854	\$0	\$16,854	-0.110
Total	\$183,927	\$183,927	(\$0)	1.441

Does not include Cost Associated with No-Fund Warrants including Interest.

Airport Royalty Taxation Effect on Mill Rate

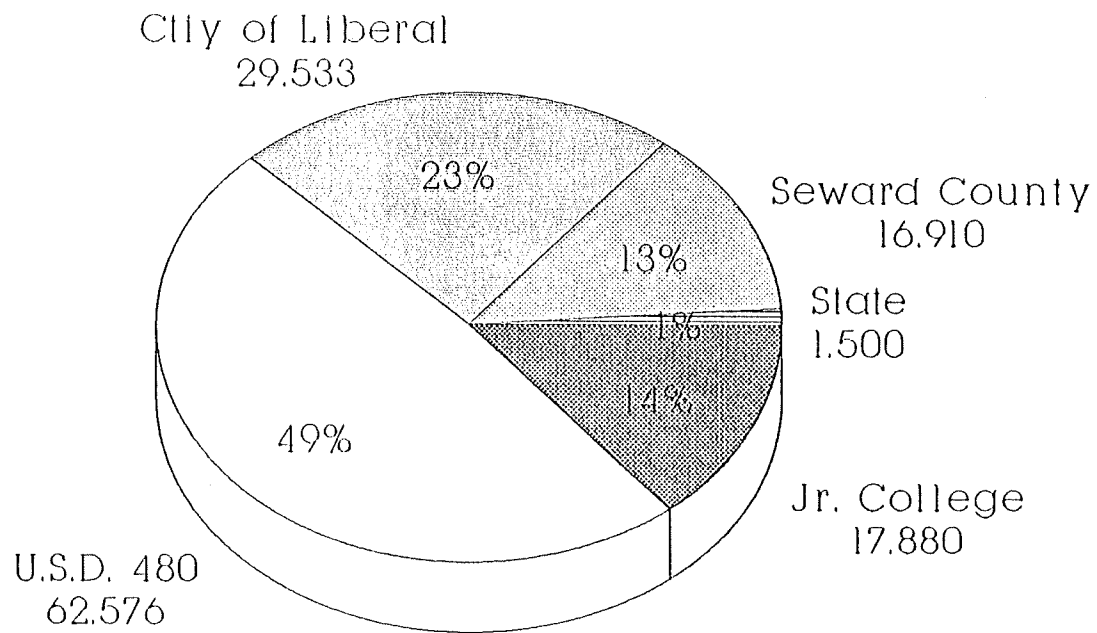


Net Change Mill Rate

Total = Effect on Liberal Taxpayer

Airport Taxation

Mill Rates - % Share of Tax



Based on 1990 Distribution

TESTIMONY OF
SEWARD COUNTY COMMUNITY COLLEGE
SUPPORTING HOUSE BILL 2341
MONDAY, FEBRUARY 25, 1991

Before the Local Government Committee
of the Kansas House of Representatives

Presented by:

Don Guild,
President
Seward County Community College
Liberal, Kansas

My name is Don Guild, I am the President of Seward County
Community College, representing the Board of Trustees.

I am speaking today in support of House Bill 2341. Which will
solve our attempt to provide some necessary relief in solving the
communities airport taxation problem.

I have attached to my testimony today, Resolution adopted by my
board on January 15th, supporting Liberal's effort for the
legislation.

Thank you.

RESOLUTION NO. 1-91

A RESOLUTION SUPPORTING THE CITY OF LIBERAL'S EFFORT TO EXEMPT THE LIBERAL MUNICIPAL AIRPORT FROM PROPERTY TAXATION.

WHEREAS, the City of Liberal Municipal Airport's royalty interest was assessed as personal property for the years 1984 through 1990, and

WHEREAS, the airport royalty property tax, interest and penalty liability for 1984 through 1990 is \$212,244.92 of which \$89,342.55 is penalties and interest, and

WHEREAS, 100% of the royalty income for the Liberal Municipal Airport is used exclusively for the operation and maintenance of the airport and its facilities, and

WHEREAS, Seward County Community College would receive a portion of the taxes generated by the Airport royalty taxation, and

WHEREAS, it would not be prudent for one tax supported local government agency to tax another tax supported local government agency,

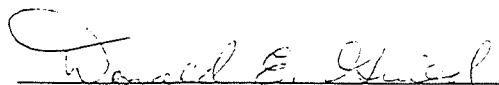
NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of Seward County Community College, that:

1. Seward County Community College supports and encourages the Kansas State Legislature to enact legislation to abate, cancel and strike from the tax rolls all airport property including minerals owned and/or operated by the City of Liberal.
2. The Secretary of the Board is hereby directed to provide a copy of the Resolution to the Clerk of the City of Liberal, Kansas, Senator Janice McClure and Representative Carl D. Holmes.

ADOPTED this 15 day of January, 1991.



Chairman, Board of Trustees



Clerk, Board of Trustees

TESTIMONY OF
LIBERAL USD #480
SUPPORTING HOUSE BILL 2341
MONDAY, FEBRUARY 25, 1991

Before the Local Government Committee
of the Kansas House of Representatives

Presented by:

Don Witzke,
President
USD #480 Board of Education
Liberal, Kansas

My Donald E. Witzke, I am President of the Board of Education for Liberal USD #480. I am speaking on behalf of House Bill 2341. USD #480 feels it would not be prudent for one tax supported local government agency to tax another tax supported local government agency.

I have attached to my testimony today, a Resolution adopted by the USD #480 Board on January 21st, supporting Liberal's effort for the legislation.

Thank you.

NOTE: This is the resolution that Mayor Courtney will be asking that you adopt.

RESOLUTION NO. VB

A RESOLUTION SUPPORTING THE CITY OF LIBERAL'S EFFORT TO EXEMPT THE LIBERAL MUNICIPAL AIRPORT FROM PROPERTY TAXATION.

WHEREAS, the City of Liberal Municipal Airport's royalty interest was assessed as personal property for the years 1984 through 1990, and

WHEREAS, the airport royalty personal property tax, interest and penalty liability for 1984 through 1990 is \$212,244.92 of which \$89,342.55 is penalties and interest, and

WHEREAS, 100% of the royalty income for the Liberal Municipal Airport is used exclusively for the operation and maintenance of the airport and its facilities, and

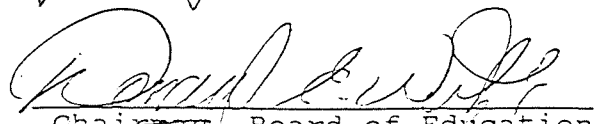
WHEREAS, U.S.D. #480 would receive a portion of the taxes generated by the Airport royalty taxation, and

WHEREAS, it would not be prudent for one tax supported local government agency to tax another tax supported local government agency,

NOW, THEREFORE, BE IT RESOLVED by the Board of Education of U.S.D. #480 that:

1. U.S.D. #480 supports and encourages the Kansas State Legislature to enact legislation to abate, cancel and strike from the tax rolls all delinquent and future personal property taxes levied against the City of Liberal.
2. The Secretary of the Board is hereby directed to provide a copy of the Resolution to the Clerk of the City of Liberal, Kansas, Senator Janice McClure and Representative Carl D. Holmes.

ADOPTED this 21st day of January, 1991.


Chairman, Board of Education
President


Secretary, Board of Education

TESTIMONY OF
LIBERAL AREA CHAMBER OF COMMERCE
SUPPORTING HOUSE BILL 2341
MONDAY, FEBRUARY 25, 1991

Before the Local Government Committee
of the Kansas House of Representatives

Presented by:

Jerry Lindberg,
Executive Vice President
Liberal Area Chamber of Commerce
Liberal, Kansas

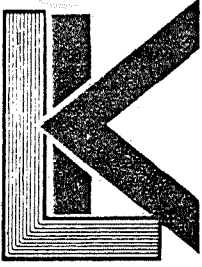
My name is Jerry Lindberg and I am Executive Vice President of the Liberal Area Chamber of Commerce, today representing the Board of Directors.

I am speaking today in support of House Bill 2341. Which will solve our attempt to provide some necessary relief in solving the communities airport taxation problem.

Our board voted unanimously to support the City's effort in trying to resolve this situation.

I have attached to my testimony, a letter further supporting the City and the issue at hand.

Thank you



LIBERAL CHAMBER OF COMMERCE

505 N. KANSAS TELEPHONE (316)-624-3855 P.O. BOX 676 LIBERAL, KANSAS 67901

February 21, 1991

Mr. John Rudd
City Manager
Box 2199
Liberal, KS 67905-2199

Dear John:

The Liberal Chamber of Commerce Board of Directors met today, February 21, and examined the airport property taxation problem. After discussion, the Chamber Board of Directors voted unanimously to support the city's efforts to exempt the oil and gas royalty payments from property tax. These royalty payments are received by the city and used only for airport improvements.

The Board unanimously endorsed passage of House Bills 2234, 2246, and 2341 and Senate Bills 222, 223, and 230. These bills support the city's position and allow for forgiveness of taxes from 1984 through 1992.

The Chamber Board understands the Seward County Community College Trustees, U.S.D. 480 School Board, and Seward County Commissioners have also voted to support the city's efforts to abate the property taxes at the airport due to oil and gas royalty payments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jerry Lindberg". The signature is written in dark ink and is positioned above the printed name.

Jerry Lindberg
Executive Vice President

JL/sd

RESOLUTION NO. 91-5

A RESOLUTION CONCERNING DELINQUENT TAXES, PENALTIES AND INTEREST OF THE CITY OF LIBERAL.

WHEREAS, the City of Liberal, Kansas owns oil and gas producing property and has received royalty income from said property since 1984 and has not paid personal property taxes thereon, through and including the year 1990, and,

WHEREAS, the City of Liberal, Kansas did file a request for an exemption from taxation on said oil and gas producing property before the Board of Tax Appeals of the State of Kansas in Docket No. 0994-86-TX, and,

WHEREAS, the Board of Tax Appeals of the State of Kansas, did deny said request of the City of Liberal, Kansas, exempting the royalty income from personal property taxation and the City of Liberal, did appeal said decision through the Courts of the State of Kansas, and,

WHEREAS, the Supreme Court of the State of Kansas, on the 5th day of December, 1990, in Case No. 89-64358-A, did uphold the ruling of the Board of Tax Appeals of the State of Kansas, and deny the exemption relief from personal property taxation on the royalty income received by the City of Liberal, and,

WHEREAS, the City of Liberal, Kansas, has now a tax delinquency in the amount of \$121,046.84 incurred from 1984 to 1990 inclusive, and a further delinquency of penalties and interest in the amount of \$62,880.45 incurred from 1984 through 1990 inclusive, and,

WHEREAS, the payment of said taxes, penalties and interest would cause severe financial hardship on the City of Liberal, Kansas.

NOW THEREFORE BE IT RESOLVED by the Board of County Commissioners of Seward County, Kansas, that;

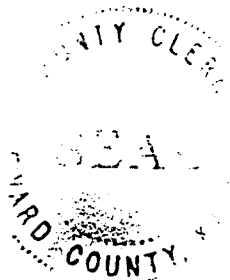
The Board of County Commissioners of Seward County, Kansas, request that the legislature of the State of Kansas, grant to the Board of County Commissioners of Seward County, Kansas, the authority to abate, cancel and discharge all delinquent personal property taxes, penalties and interest incurred by the City of Liberal, Kansas, from the oil and gas royalties received by the City of Liberal, Kansas, from 1984 to 1990 inclusive.

The Board of County Commissioners of Seward County, Kansas, request that the legislature of the State of Kansas, grant the authority to the Board of County Commissioners to abate, cancel and discharge said taxes, penalties and interest incurred by the City of Liberal, Kansas until December 31, 1992.

County Resolution 91-5
February 4, 1991
Page 2

BE IT FURTHER RESOLVED that the County Clerk of Seward County, Kansas, submit a copy of this Resolution to Senator Janice McClure and Representative Carl Dean Holmes.

THE ABOVE AND FOREGOING RESOLUTION having been duly made by motion, seconded, and adopted by the majority of the Board of County Commissioners of Seward County, Kansas, on the 4th day of February, 1991.



A handwritten signature in cursive script, reading "C.J. Wettstein".

Chairman Board of County Commissioners
C.J. Wettstein

A handwritten signature in cursive script, reading "Dorothy Sanborn".

Seward County Clerk,
Dorothy Sanborn

DRAFT NO. 1 RS 0611

AN ACT relating to property taxation; exempting certain property therefrom owned by the city of Liberal.

Section 1. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

All oil and gas royalty interests which are owned by a city pursuant to conveyance of real property by the federal government by quit claim deed dated May 28, 1948, as corrected by deed dated April 21, 1949, the revenue received from which is used exclusively for airport purposes.

The provisions of this section shall be applicable to all taxable years commencing after December 31, 1983 and ending prior to January 1, 1993.

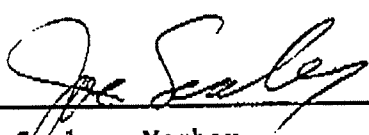
Sec. 2. All property taxes levied for any taxable year to which section 1 applies upon property described in section 1, and are here hereby declared to be forgiven.

Sec. 3. This act shall take effect and be in force from and after its publication in the Kansas Register.

C.J. Wettstein, Chairman



Stan Boles, Vice-Chairman



Joe Sealey, Member

ATTEST:

Dorothy Sanborn, County Clerk

TESTIMONY ON SENATE BILL 230
AND HOUSE BILL 234/

Honorable Senators and Representatives,

My name is C. J. Wettstein. I am the Chairman of the Board of County Commissioners of Seward County, Kansas and I am here today to testify "against" Senator Janice McClure's and Representative Holmes proposed Senate Bill No. SB 230 and House Bill No. 234/.

I want to explain to you, the background of this legislation you are being asked to act on today.

In 1983, the City of Liberal, Kansas, signed leases for Oil and Gas Exploration on the Liberal Municipal Airport Property. This is a vast amount of acreage the City of Liberal received from the Federal Government after the Second World War.

In 1985, the Director of Property Valuation Department sent a memo to all County Appraisers in Kansas, instructing them to make sure all cities and other governmental subdivisions filed exemptions on government owned properties.

Then, in 1986, the City of Liberal filed a request for exemption on certain oil and gas producing leases on the airport property. Hearings were held, starting in 1986, before the Board of Tax Appeals of the State of Kansas. Eventually, on three (3) separate occasions, the Board of Tax Appeals ruled the oil and gas wells were not exempt, and the City of Liberal was going to have to pay the ad valorem taxes on the royalty production from these wells.

At the end of 1989, the Board of Tax Appeals made their final ruling on the case, "the City's use was not an exclusive use as required by K.S.A. 79-201".

The City of Liberal then filed this matter as an Appeal, from the Board of Tax Appeals, to the Shawnee District Court. The Shawnee District Court upheld the ruling of the Board of Tax Appeals. The City of Liberal appealed the Shawnee District Court decision to the Court of Appeals. The Court of Appeals upheld the Board of Tax Appeals decision. The City of Liberal then, appealed the Court of Appeals decision to the Supreme Court. But to no avail, the Supreme Court upheld the Board of Tax Appeals decision. Now, since the City of Liberal has lost all of the cases, and appeals, like they were told they would in the very beginning, they are now asking County Commissioners and Legislators to step in and solve their problem of incompetent management.

JJ
2-25-91
Attachment 6

If you rule in favor of this bill, you are stating that our Board of Tax Appeals, our Shawnee District Court, The Court of Appeals of the State of Kansas and the Supreme Court of the State of Kansas, are evidently stupid and have made a bad decision. They all say, "this is a just obligation for taxes that must be paid". Let me ask you this, how can the legislature simply wave a magic wand and take away this tax, which is due on behalf of all the taxpayers of Seward County, not just those inside the city limits.

In this case, the City of Liberal is no different than any other taxpayer. If you can wave the magic wand for them, you are going to be asked to wave it for everybody else who has a problem.

The reason I object to the State of Kansas Legislature taking action to abate taxes, is because the only beneficiaries of such an action are those people living within the city limits of the City of Liberal.

I feel, if we are going to change legislation, we need to do it statewide by legislative action, and not on a case by case legislation, as we are trying to do now. Ladies and Gentlemen, I represent both city taxpayers and rural taxpayers, so however I would vote, I will be unpopular with one of my sets of taxpayers, but at the present time, right is right, by following the state law, and I feel I have to support the law as it reads and support the decisions of the court and appeals process. If we are not going to follow state laws, then why don't you all go home and give full authority to the counties to make up laws as they see fit.

The City of Liberal, Kansas, has had an income from these royalties, from 1984-1990, of \$946,655.00. This is almost one million dollars that have been taken in royalties, and have not been shared with all the taxpayers of Seward County, Kansas, and the ones I am referring to are the taxpayers who live outside the city limits of the City of Liberal.

I have read all of the decisions by the Board of Tax Appeals, transcripts of the hearings, briefs that were filed by both parties in this action, and nowhere, can I find any evidence that all of these revenues go to the operation of the Airport. The key thing the City has been saying all along is all the revenues go to the Airport. They provided the Board of County Commissioners with a document showing that in four (4) years they had expended out 1/2 million dollars in personnel services, yet there is not one permanent employee of the City of Liberal, who works at the Airport. The reason I say this is because over a week ago, I had asked City Manager John Rudd to provide me with a complete list of employees, and a complete listing of

salaries that had been paid out, and to date I have not recieved that list. Also they have shown expenses of over 1.1 million dollars in operation and maintenance, and yet the City maintains no municipal buildings for the operation of the airport.

This is not good legislation, because it encourages every government unit in the State of Kansas to defy existing State Law, until they have gotten themselves in so much debt, they say their only way out is to come before the Legislature to ask for tax relief.

I am sure this committee understands if governments own property, that is not exclusively used for governmental purposes, they have to pay taxes on it. The City of Liberal has used their Airport, and in the six (6) years preceeding 1990, they have had an income of 3.3 million dollars, including almost 1 million dollars of oil and gas royalty income.

In other words, every government agency in Kansas that wants to lease out it's government owned property, for revenue production, is not going to pay the taxes on it, and when they get in deep enough, they are going to come to the legislature and want a special bill passed.

The City contends the State has done this before, and based upon the examples, provided to me by Mayor Lee Courtney, of the City of Liberal, I can not see where the State of Kansas has ever passed such a law as they are proposing to be passed now.

The City of Liberal asked us, the Seward County Commissioners, to help them get a law passed stating the County Commissioners would have the "authority" to abate the penalties and interests on the taxes, which amount to around \$62,880.00. That bill, the Seward County Commissioners agreed to support unanimously. With this, I felt we had some leaway in which to work with some other problems we had.

Then, they came back and asked us to pass another bill to take the taxes off the taxroll, and Senator McClure said that only the Legislature can do that.

Frankly, that doesn't make sense. If the Legislature has the power to take taxes off the taxroll, the Legislature can give that power to the Seward County Commissioners.

In closing, if you vote for this, you are going to be encouraging governmental agencies to go out and purchase income producing properties, and then take them off of the tax roll. It may look rather odd when shopping malls are

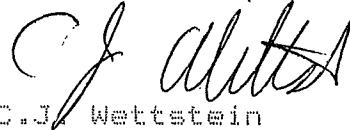
owned by cities and governmental agencies, and they use the excuse that it was bought to enhance economic development.

Personally, I do not want either bill to happen. If the City of Liberal would have paid their taxes to begin with, like the law stated, they would never have had the penalties and interest added.

Also, if the Legislature passes this bill, and many more special interest bills are passed, abating taxes, the State of Kansas will start feeling the crunch from their portion of the taxes collected.

I do not favor this bill passing through legislation.

Thank You Very Much,



C.J. Wettstein
Chairman
Seward County Commissioner