

Approved April 1, 1991  
Date

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by Sen. Don Montgomery at  
Chairperson

9:00 a.m. ~~xxx~~ p.m. on March 28, 1991 in room 531-N of the Capitol.

All members were present except:

Committee staff present:

Theresa Kierman, Revisor of Statutes  
Mike Heim, Legislative Research  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Representative Gerogia Bradford  
Bailis F. Bell, Wichita Airport Authority  
Gary Sherrer, Wichita, Kansas  
Bernie Koch, Wichita Area Chamber of Commerce  
John W. Koepke, Kansas Association of School Boards  
Dan Brunetti, Crawford County Clerk  
John Torbert, Kansas Association of Counties  
Betty McBride, Cherokee County Treasurer  
Gerry Ray, Johnson County  
Tony Wedel, McPherson County Board of Commissioners

HB 2194 - Concerning certain airport authorities; relating to the powers thereof.

Representative Georgia Bradford testified in support of the bill. (Attachment 1).

Bailis F. Bell, Wichita Airport Authority, testified in support (Attachment 2) with a page of supporting information (Attachment 3). Mr. Bell had also distributed copies of a statement by Jim Gregory of Beechcraft in support of HB 2194. (Attachment 4).

The Chairman asked the appraised value of the exempt property in the bill. Mr. Bell answered the total airport property is valued at \$70 million, one third of which would be the assessed value.

Sen. Allen questioned how the airport hotel could be considered as a business associated with aviation. Mr. Bell said that sleeping quarters are associated with every major transportation facility, and the majority of their business comes from air traffic.

Sen. Daniels had questions as to the total acreage involved with the airport authority and the amount of land used for agriculture. It was determined that the products produced on the ag land is sold as tax exempt from income tax as the airport authority is exempt.

Gary Sherrer of Wichita testified in support (Attachment 5). As to the comments concerning the airport hotel, Mr. Sherrer noted that it was built by Hilton, but it is owned by Wichita for the use of travelers.

Bernie Koch, Wichita Area Chamber of Commerce, followed with further testimony in support. (Attachment 6).

John Koepke, Kansas Association of School Boards, testified in opposition to HB 2194 because of the effect all exempt property has on the School District Equalization formula across the state. (Attachment 7). This concluded the hearing, and the bill was taken under advisement.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT,  
room 531-N, Statehouse, at 9:00 a.m./~~p.m.~~ on March 28, 1991

HB 2298 - Concerning municipalities; relating to the consolidation of operations, procedures and functions thereof.

Dan Brunetti, Crawford County Clerk, testified in support of the bill. (Attachment 8). The Chairman confirmed with Mr. Brunetti that this bill is nearly the same as SB 800 from last session which did not get out of the House committee because it was received too late to work out differences.

John Torbert, Kansas Association of Counties, followed with further testimony in support. (Attachment 9). With regard to SB 800, Mr. Torbert noted that his organization had worked with those in opposition to it this past summer, and HB 2298 is the result of those deliberations.

Sen. Petty asked if the bill applies to cities and counties only or to all elected officials. Mr. Heim explained that the statute applies to political and taxing subdivisions, but page two of the bill limits it to county officials.

Betty McBride, Cherokee County Treasurer, gave further testimony in support. (Attachment 10).

Gerry Ray, Johnson County, gave final testimony in support. (Attachment 11).

The Chairman asked Ms. Ray to explain what the controversy with SB 800 was as far as Johnson County was concerned. Ms. Ray said the bill would not have allowed the transfer of anything even if an officer agreed, and Johnson County found this objectionable. There was not time to fully consider this last year because the bill came so late in the session.

Tony Wedel, Board of McPherson County Commissioners, testified in opposition to HB 2298. (Attachment 12). Mr. Wedel noted that McPherson County consolidated accounting procedures and hired an accountant. Even with the salary for the accountant, they saved 11½% in dollars by eliminating six employees as a result of the consolidation. With this, the hearing was concluded, and the bill was taken under advisement.

The minutes of March 27 were approved.

The meeting was adjourned at 10:01 a.m.

Date: 3-28-91

GUEST REGISTER

SENATE

LOCAL GOVERNMENT

NAME	ORGANIZATION	ADDRESS
Catherine Holdeman	City of Wichita	Wichita
Bailis F. Bell	Wichita Airport Auth.	mid. courtment airport
Tony Wedel	McPherson County	McPherson
Jonathan Small	Learjet Inc	Topeka KS
Bud Hentzen	Sedg. County	Sg. Co. Kansas
Michelle Lester	John Peterson + Associates	Topeka
DONNA WEST	LINCOLN	LINCOLN CO TREASURER
John Torbett	KAC	Topeka
John Kreyche	KASB	Topeka
GARY SHELLEN	—	Wichita, Ks.
Lucie Paine	Reg of Deeds	Law, Ks.
Linda Finchem	Reg of Deeds	Frankfort, KS
Charlotte Shawver	" " "	Manhattan, Ks
Sara L. Ullmann	" " "	Johnson County
Millie Martin	Sedgwick Co.	Wichita
Bernie Koch	Wichita Chamber	Wichita
DAN BRUNETTI	CRAWFORD COUNTY	GIRARD
Carol Alauk	Ottawa Co Clerk	Minneapolis
Linda Hebrun	Labele Co Clerk	Osawego
NANCY WEEKS	HASKEL CO. TREASURER	SUBLETTE
Eileen King	Riley Co. Treasurer	Manhattan
JOANN HAMILTON	OSAGE CO. TREASURER	LYNDON



GEORGIA WALTON BRADFORD  
 REPRESENTATIVE, NINETY-FOURTH DISTRICT  
 1012 BAYSHORE DRIVE  
 WICHITA, KANSAS 67212

STATE CAPITOL  
 ROOM 183-W  
 TOPEKA, KANSAS 66612



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER: ECONOMIC DEVELOPMENT  
 LOCAL GOVERNMENT  
 LEGISLATIVE EDUCATION PLANNING

TESTIMONY BEFORE THE SENATE LOCAL GOVERNMENT COMMITTEE  
 HB 2194  
 MARCH 28, 1991

Mr. Chairman and Members of the Committee, I am in support of HB 2194: legislation which would provide tax exemption for all property owned by the Wichita Airport Authority. (Wichita Mid-Continent Airport, and the Colonel James Jabara Airport). I am Georgia Bradford, Representative for the 94th District in Wichita.

a. All real property at Mid Continent and Jabara is owned by the Wichita Airport Authority. Facilities owned by the authority are leased - even those facilities which are built and financed by the tenants. By statute (KSA 3-167), all property on the site must be used for aviation-related uses. This airport is different from the Salina and Topeka airports which have properties which are not aviation related.

b. Since 1975 when the City of Wichita established The Airport Authority, the airport property has been exempt from ad valorem taxation. It continues to be exempt though KSA 3-167; however, this law does not make specific reference to tax-exempt status. The tax exempt provision for the Wichita Airport Authority is interpreted from KSA 79-201a Second.

c. Both Salina and Topeka Airports have specific legislation authorizing ad valorem property tax exemption through statute: in 1989, the State Legislature granted this tax-exempt status through KSA 27-315 for the Salina Airport Authority; and, the Topeka Airport Authority is exempt through KSA 27-330.

d. The City of Wichita is simply seeking conformity with current state policy to clarify its entitlement to the same exemption. Without this same exemption, The Wichita Airport Authority will not have the same economic advantages in recruiting aviation related businesses as the Salina and Topeka Airport Authorities. Further, it is important to note that WAA is the only airport authority which does not include non-aviation related businesses: in the purest sense, it is a model of a public airport authority. It is an arm of the city and is accounted for through the city budget without use of tax-payer levies.

Senate L.G.  
 3-28-91  
 Attachment 1

CHANGES MADE TO EXISTING LAWS: The request to amend statute KSA 3-167 would clarify the law. It would ensure that all property owned by the WAA would continue to be exempt from the payment of ad valorem taxes levied by any other political or taxing subdivision of the State. KSA 3-167 would be repealed. In Wichita, a broad taxing base is not required: no taxes are levied for airport purposes. The revenues generated from lease and use payments from the aviation related tenants are used to retire general obligation bonds issued by the City of Wichita for Airport purposes.

All taxing entities in the Sedgwick County area are in favor of passage of the legislation.

Thank you, Mr. Chairman, for the opportunity to address you and the Committee on the need to clarify the status of the Wichita Airport Authority.

Testimony of  
The Wichita Airport Authority  
City of Wichita, Kansas  
Supporting HB 2194

Before the Local Government Committee  
of the Kansas Senate

March 28, 1991

Presented by:

Bailis F. Bell  
Director of Airports  
The Wichita Airport Authority  
City of Wichita, Kansas

*Senate L.G.  
3-28-91  
Attachment 2*

Mr. Chairman and Committee Members:

I am Bailis Bell, Director of Airports for The Wichita Airport Authority of the City of Wichita, Kansas.

The City of Wichita, Kansas and The Wichita Airport Authority are in support of HB 2194.

Before explaining further the purpose for this support, please let me explain the nature of the business of The Wichita Airport Authority.

The Airport Authority was established by the City of Wichita in 1975 pursuant to K.S.A. 3-162, et seq. The Board of Park Commissioners of the City of Wichita owned and operated Wichita's municipal airports beginning in 1928 until the 1975 restructuring.

Presently The Wichita Airport Authority owns and operates two airports - Wichita Mid-Continent and Col. James Jabara. With the exception of several improvements owned by the U. S. Government, the Authority owns all land and improvements on both airports. The improvements to the nearly 4,400 acres of land are the homes of 68 aviation related businesses and governmental operations which employ approximately 9,000 people.



The airports gain their revenues from lease and user charges, private financing, federal funding, and General Obligation Bonding of the City of Wichita.

The Wichita Airport Authority is very much into the airport real estate business. No party except the Authority benefits from the rentals of the properties. Each and every tenant is in the aviation business, and derive their incomes from supporting and serving the public and the aviation industry. The net revenues derived from the real estate operations remain on the airport, and are used to finance expansion and reconstruction of the airports.

For the most part, the airports are self supporting in that they do not require the use of local or state tax dollars for their operation. They operate on a user-pay basis. All of the municipal services to the properties are funded by The Wichita Airport Authority from its revenues.

Since the beginning of municipally-owned and operated airports in 1928 in Wichita, the State of Kansas has considered the airports as a municipal function. Traditionally, airports require extremely large capital investments, yet provide less than desirable incomes in their necessity status. In the case of The Wichita Airport Authority, we have been very fortunate not to require property tax support.

This bill comes before you because in 1985, Sedgwick County challenged the tax exempt status of The Wichita Airport Authority by placing all airport properties on the tax rolls. The Board of Tax appeals agreed with The Wichita Airport Authority that 2/3's of its properties were tax exempt. The remaining 1/3 of the properties, which house portions of Cessna Aircraft Company and Learjet, Lifewatch, FlightSafety International, all rental car service centers, the Airport Hilton, and several others, were somehow considered not essential to the operation of the airport, and therefore taxable.

In 1986 a Shawnee County District Court agreed that all Wichita Airport Authority properties were tax exempt, and Sedgwick County appealed further. In 1989 Sedgwick County agreed to drop the appeal, and to seek with the City of Wichita a specific statutory exemption.

The attorneys representing the tax case on behalf of The Wichita Airport Authority argued that all properties in question were exempt pursuant to Article 11, Paragraph 1 of the Kansas Constitution which states: "All property used exclusively for state, county, municipal . . . purposes . . . shall be exempted from property taxation."

The exemption for municipal purposes is further set forth in K.S.A. 79-201a Second:

"All property used exclusively by the state or any municipality or political subdivision of the state. All property owned or operated by the state or any municipality or political subdivision of the state which is used or to be used for any governmental or proprietary function and for which bonds may be issued or taxes levied to finance the same shall be considered to be 'used exclusively' by the state, municipality or political subdivision for the purposes of this act."

All real and personal property owned by The Wichita Airport Authority qualifies for the exemption from property taxation per this act.

However, since there are varying opinions as to how this act is interpreted, the City of Wichita and Sedgwick County, supported by USD #259, come before you seeking a specific legislative exemption to stop the arguing.

Wichita requests being granted a statutory exemption as the legislature has granted the Topeka Airport Authority and the Salina Airport Authority in recent years. In essence this legislation clarifies a status that the Authority has always had, and a status that is desired and accepted by local policy makers.

Thank you for your attention.

I will be glad to answer any questions.

Agenda and Recommendations  
February 25, 1991

10. Consolidation, Redistricting, and Restructuring for 1991-92 (contd.)

- f. Declare Jefferson Elementary School naturally integrated and remove it from the district's Integration Plan.
- g. Assign Jefferson's AAA students to Minneha Elementary and Coleman Middle School.

11. Naming of School Facilities

Recently, President Joyce Focht appointed an ad hoc committee to recommend a name for the proposed new open magnet elementary school to be housed in the former Greiffenstein Elementary School, located at 2700 South Washington. Members of the committee included Carol Rupe, chairperson; Carolyn Bridges, Area II Elementary Director; Barbara Mackey, Area III Elementary Director; Marc Webb, Director, Planning/Operations; and Karen Kelly, president, Wichita Area Council of PTA/PTSA.

After meeting on two separate occasions, the Committee wishes to recommend for the Board's consideration that this facility be named the "Chester I. Lewis Open Magnet Elementary School." Because of Mr. Lewis' involvement in the desegregation of the Wichita Public School System and since magnet schools, by the Board's definition, are integrated, the Committee felt this would be a fitting tribute.

The Selection of School Name Committee would also like to recommend that the 428 Building be renamed the "Greiffenstein Building." William Greiffenstein was one of the most prominent and influential founders of early Wichita and worked very hard to make it grow. He is generally referred to as the "Father of Wichita." Because of Mr. Greiffenstein's work in the growth of the city and the proximity of the 428 Building to the downtown area, the Committee felt it would be appropriate to name it the Greiffenstein Building in his honor.

This item has been included on the February 25 agenda for consideration and discussion by the Board of Education.

12. Wichita Airport Authority Tax Exemption

Appendix O The City of Wichita has requested the Sedgwick County Delegation to introduce and support legislation (Kansas House Bill 2194) to amend K.S.A. 3-167. By amending this statute, the City of Wichita is seeking clarification of the law to ensure that all property owned by the Wichita Airport Authority continues to be exempt from the payment of ad valorem taxes levied by any other political or taxing subdivision of the State of Kansas. All property on the Wichita Mid-Continent Airport and Colonel James Jabara Airport is owned by the Wichita Airport Authority, including facilities built and financed by tenants. K.S.A. 3-167 affects only Wichita airports in that it applies to cities over 250,000 population. The precedent for state legislation authorizing exemption has been set by the Topeka and Salina airports. Both of these cities have specific legislation authorizing ad valorem property tax exemption.

The Board of Education has been asked to join with the City of Wichita and Sedgwick County in support of House Bill 2194. Bailis Bell, Director of the Wichita Airport Authority, will be present at Monday's meeting to respond to questions.

**RECOMMENDATION:** It is recommended that the Board of Education support an amendment to K.S.A. 3-167 for the purpose of clarifying the law to ensure that all property owned by the Wichita Airport Authority continues to be exempt from the payment of ad valorem taxes levied by other political or taxing subdivisions of the State of Kansas.

PASSED UNANIMOUSLY  
By BOE on 2/25/91

Senate L.G.  
3-28-91  
Attachment 3



STATEMENT BY JIM GREGORY  
KANSAS SENATE LOCAL GOVERNMENT COMMITTEE  
THURSDAY, MARCH 28, 1991

BEECH HAS MANUFACTURING FACILITIES IN WICHITA, SALINA AND  
ANDOVER, KANSAS. BEECH ALSO OWNS A FIXED BASE OPERATION ON  
WICHITA MID-CONTINENT AIRPORT.

WE SUPPORT HOUSE BILL 2194 AS AMENDED, WHICH WOULD STATUTORILY  
CLARIFY THE PROPERTY TAX EXEMPTION CURRENTLY UTILIZED AT WICHITA  
MID-CONTINENT AIRPORT. IT SHOULD BE NOTED THAT WHILE BEECH HAS A  
FIXED BASE OPERATION ON WICHITA MID-CONTINENT AIRPORT IT DOES NOT  
OPERATE ANY MANUFACTURING FACILITIES THERE. THE KANSAS BOARD OF  
TAX APPEALS HAS INDICATED THAT FIXED BASE OPERATIONS ARE DIRECTLY  
RELATED TO AVIATION ACTIVITY ON THE AIRPORT AND CONSEQUENTLY  
ALREADY ENJOY TAX ABATED STATUS ON THE AIRPORT.

*Senate L.G.  
3-28-91  
Attachment 4*

THEREFORE BEECH'S STATEMENT DOES NOT DIRECTLY REFLECT SELF INTEREST. IN FACT, IT COULD BE ARGUED THAT BEECH'S COMPETITORS IN THE LIGHT JET MARKETPLACE WILL BENEFIT MORE FROM THIS THAN BEECH WOULD.

BEECH'S GENERAL SUPPORT FOR HOUSE BILL 2194 CENTERS AROUND SEVERAL FACTORS: 1) BEECH IS A CORPORATE CITIZEN IN THE SALINA COMMUNITY WHERE A MANUFACTURING PLANT LOCATED ON THE SALINA AIRPORT EMPLOYS SEVERAL HUNDRED PEOPLE. THAT FACILITY CURRENTLY IS TAX EXEMPT. THAT STATUS WAS PART OF THE ECONOMIC DEVELOPMENT PACKAGE WHICH ORIGINALLY DREW THE COMPANY TO SALINA. 2) BEECH IS ALSO A CORPORATE CITIZEN OF THE WICHITA COMMUNITY WHERE THE MANUFACTURING FACILITIES ARE NOT ON CITY AIRPORT PROPERTY BUT LOCATED ACROSS TOWN.

FROM A COMMUNITY PERSPECTIVE THE COMPANY SUPPORTS THIS  
LEGISLATION. BEECH CURRENTLY HAS SOME SORT OF REAL ESTATE  
INTEREST ON A TOTAL OF 32 AIRPORTS THROUGHOUT THE COUNTRY. IN  
HEALTHIER DAYS THE COMPANY HAS HAD FACILITIES ON AS MANY AS 50  
AIRPORTS AT ONE TIME. BEECH IS FAMILIAR WITH THE WAY LOCAL  
MUNICIPALITIES OR STATE AND REGIONAL GOVERNMENTS OPERATE THEIR  
AIRPORTS THROUGHOUT THE COUNTRY.

ADDITIONALLY, IN THE LAST 10 YEARS THE COMPANY HAS EVALUATED AT  
LEAST ANOTHER 50 AIRPORTS AS POTENTIAL SITES FOR BEECH LOCATIONS  
OR FOR OTHER REASONS. THIS EXPERIENCE WITH OTHER AIRPORTS  
THROUGHOUT THE COUNTRY INDICATES THAT THE MOST SUCCESSFUL  
AIRPORTS ARE THOSE WHICH SATISFY AN ECONOMIC DEVELOPMENT NEED IN  
THEIR COMMUNITIES. MOST OF THE 100 AIRPORTS VISITED ARE  
SECONDARY AND TERTIARY AIRPORTS RATHER THAN THE MAJOR AIRLINE  
HUBS.



IN ALL OF THAT EXPERIENCE, SALINA IS PROBABLY THE COUNTRY'S BEST EXAMPLE OF A COMMUNITY WHICH HAS PARLAYED A FORMER MILITARY AIRBASE INTO A TREMENDOUS COMMUNITY ASSET. THE SECONDARY AND TERTIARY AIRPORTS THAT ARE MOST SUCCESSFUL ARE THE ONES IN COMMUNITIES WHICH RECOGNIZE THE TREMENDOUS ECONOMIC DEVELOPMENT VALUE OF THE AIRPORT'S PRESENCE. MOST OF THE SUCCESSFULLY MANAGED AIRPORTS FULFILLING ECONOMIC NEEDS IN THEIR COMMUNITIES, IN TERMS OF JOBS-ATTRACTING INDUSTRY AND DEVELOPING EXISTING INDUSTRY, ARE THOSE THAT FRANKLY ARE SO WELL RUN THEY FUNCTION WITHOUT INTERFERENCE FROM OTHER LEVELS OF GOVERNMENT. THEY FUNCTION IN A SELF SUSTAINING FASHION WITH THE EXCEPTION THAT THEY RECEIVE AIRPORT IMPROVEMENT PROGRAM FUNDS FROM THE FEDERAL GOVERNMENT AS PART OF THEIR CONTRIBUTION TO THE NATIONAL AIRSPACE AND AIRWAY SYSTEM. THE TAX ABATEMENTS THAT ARE CURRENTLY IN PLACE AT THE WICHITA MID-CONTINENT AIRPORT AND AT OTHER AIRPORTS DO NOT DETRACT FROM THE CONTRIBUTION OF THE AIRPORT RESOURCE TO THE LOCAL COMMUNITY OR THE TAX BASE.

THOSE ABATEMENTS MERELY ALLOW THAT AIRPORT TO BE AS SELF  
SUSTAINING AS POSSIBLE. THAT SELF-SUSTAINING ASPECT IS A  
REQUIREMENT FOR AIRPORT IMPROVEMENT PROGRAM FUND GRANT ASSURANCES  
FROM THE FEDERAL AVIATION ADMINISTRATION.

IN THE CASE OF WICHITA THE LEASE REVENUE THAT IS DERIVED FROM  
BUSINESSES AND OPERATIONS AT THE AIRPORT, EVEN IF THEY ARE  
UNRELATED SPECIFICALLY TO AVIATION, CONTRIBUTE TO THE FINANCIAL  
STABILITY OF THE AIRPORT RESOURCE.

THE WICHITA AIRPORT IS OBVIOUSLY THE BIGGEST AND MOST ATTRACTIVE  
AIRPORT IN THE STATE. A GREAT MEASURE OF ITS SUCCESS CAN BE TIED  
DIRECTLY TO THE AIRPORT BEING ABLE TO EXPLOIT ITS VAST LAND  
RESOURCES. THOSE RESOURCES CONTRIBUTE TO THE OPERATION OF THE  
AIRPORT IN TERMS OF THE LEASE PAYMENTS.

THE AIRPORT HAS INDUCED MANY COMPANIES TO BUILD FACILITIES ON THE AIRPORT IN EXCHANGE FOR A NEGOTIATED REVERSION OF THE OWNERSHIP OF THOSE FACILITIES TO THE AIRPORT UPON THE EXPIRATION OF THE LEASE TERM. THE AIRPORTS CAN THEN IN TURN RE-LEASE THOSE FACILITIES FURTHER ENHANCING THEIR REVENUE AND ABILITY TO BE SELF SUSTAINING.

RIGHT NOW THE WICHITA AIRPORT AUTHORITY OPERATES WITH AIRPORT IMPROVEMENT PROGRAM FUNDS FROM THE FEDERAL AVIATION ADMINISTRATION AND UPON REVENUE STREAMS GENERATED ON THE AIRPORT INCLUDING THAT GENERATED BY WHAT SOME MIGHT CALL NON-AVIATION RELATED ACTIVITIES. THIS HAS PERMITTED THE AIRPORT TO OPERATE AS A TREMENDOUS COMMUNITY ASSET WITHOUT LOCAL AND STATE BEING A DRAIN ON LOCAL AND STATE REVENUES. TAX ABATEMENTS ARE CRITICAL TO THE CREATION OF THIS FAVORABLE SITUATION.

FOR INSTANCE, CONSIDER AN INVESTOR WHO WANTS TO PUT UP A FACILITY OF SOME SORT -- AN OFFICE BUILDING OR A HOTEL NEAR THE AIRPORT TO SATISFY PERCEIVED CUSTOMER DEMAND. THIS INVESTOR HAS TWO CHOICES. THE INVESTOR CAN BUY LAND AND BUILD HIS FACILITY ON NON-GOVERNMENT OWNED GROUND. THEN THE INVESTOR PAYS PROPERTY TAXES LIKE ANY OTHER PROPERTY OWNER. THE OWNER RETAINS AN EQUITY OWNERSHIP POSITION IN LAND AND IN THE FACILITIES IN PERPETUITY. THEN HE OR SHE CAN DEVELOP THE BUSINESS AND SELL IT AT A PROFIT, SECURE IN THE KNOWLEDGE THE FACILITY AND LAND ARE THE INVESTOR'S. THIS INVESTOR CAN ALSO TAKE ADVANTAGE OF THE REAL ESTATE APPRECIATING IN VALUE DEPENDING ON OTHER ACTIVITIES THAT OCCUR AROUND IT. IF THE PROPERTY IS CLOSE TO AN AIRPORT AND THAT AIRPORT IS A VIABLE PART OF THE COMMUNITY THEN THE PROPERTY IS ENHANCED BY ITS PROXIMITY TO THE COMMUNITY'S AIRPORT RESOURCE.

OR, THAT BUSINESS PERSON COULD BUILD IMPROVEMENTS ON LAND THAT IS OWNED AND MANAGED BY THE LOCAL AIRPORT AUTHORITY. THE INVESTOR DOESN'T PAY PROPERTY TAXES BUT HE DOES MAKE LEASE PAYMENTS TO THE AIRPORT, WHICH IS OBLIGATED UNDER THE FEDERAL AVIATION ADMINISTRATION GRANT ASSURANCES TO GET A FAIR RENTAL RETURN. THE INVESTOR CAN PUT UP A BUILDING AND MAYBE NEGOTIATE A LONG TERM LEASE WITH THE AIRPORT SO THE INVESTOR GETS TO KEEP THAT BUILDING FOR 25-30 YEARS, OR MORE. HOWEVER, THE INVESTOR PAYS GROUND RENT TO THE AIRPORT PROVIDING THE AIRPORT WITH A FAIR RETURN ON THE GROUND RESOURCE AND IN SOME CASES THE AIRPORT CAN NEGOTIATE A FEE BASED ON BUSINESS INCOME, FURTHER ADDING TO THE REVENUE STREAM.

HOWEVER, THAT BUSINESS PERSON CAN NEVER OWN THE GROUND BECAUSE THE AIRPORT IS NOT PERMITTED TO SELL IT, GENERALLY, UNDER FAA DEED RESTRICTIONS OF TRUST AGREEMENTS AND THAT BUSINESS PERSON CAN ONLY OWN THE FACILITIES FOR THE NEGOTIATED LENGTH OF THE LEASE. AT THAT POINT THE IMPROVEMENTS REVERT TO THE AIRPORT AUTHORITY. AND THEN THE INVESTOR HAS THE PRIVILEGE OF PAYING FOR THE IMPROVEMENTS ALL OVER AGAIN IF THE LEASE IS CONTINUED.

AS THE LEASE MOVES TOWARDS ITS TERMINATION DATE THE VALUE OF THOSE IMPROVEMENTS AND OF THE LEASE DIMINISH OVER TIME. THAT BUSINESS PERSON WILL FIND IT MORE DIFFICULT TO SELL THE BUSINESS OR TO REALIZE A PROFIT ON THE BUSINESS CREATED AND GROWN BECAUSE OF THE LEASE SITUATION.

IN AN ANALYSIS ONE CAN'T APPLY THE USUAL REAL ESTATE RULES OF THUMB TO THE RELATIONSHIP BETWEEN AN AIRPORT AND THE LOCAL TAXING AUTHORITY.

THIS LEGISLATION WOULD ALLOW THE WICHITA AIRPORT AUTHORITY TO  
CONTINUE TO OPERATE AS IT HAS VERY SUCCESSFULLY FOR MANY YEARS.  
BEECH COMES TO THIS DISCUSSION FROM THE PERSPECTIVE AS AN FBO  
OPERATOR ON THE AIRPORT, AND A CORPORATE CITIZEN.

THANK YOU FOR THE OPPORTUNITY TO PROVIDE THIS STATEMENT.

JAMES M. GREGORY  
DIRECTOR - CORPORATE AFFAIRS  
BEECH AIRCRAFT CORPORATION

TESTIMONY BEFORE LOCAL GOVERNMENT COMMITTEE

KANSAS SENATE

MARCH 27, 1991

Chairperson Montgomery and members of the committee, my name is Gary Sherrer and I appear here today only as a private individual who has four years of experience as a member of the Wichita Airport Authority, two of those having served as president. As you consider this issue on House Bill 2194, I think there are five areas that would justify your support for this bill.

1. This bill is not asking for a tax exemption. It's only asking you to declare, with statute, what has been the practice for a number of years. There are no taxes being paid now on these properties, therefore, there will not be an adverse effect on any taxing unit. Remember that the Wichita Airport Authority operates without any city or county tax dollars, and therefore, is a different entity than most. It is critical this uncertainty be removed. I have personally been involved with negotiations for possible economic development through obtaining new tenants related to the aviation industry. When we come to the issue of tax, we are unable to give them, with any certainty, the status of what the future might hold for them. It would be very beneficial and is critical to our economic development efforts in the aviation area that we have this matter settled.

Senate L.G.  
3-28-91  
Attachment 5



2. There is an issue here of fairness. This legislature has granted the airports of Topeka and Salina this type of statutory clarification. It is difficult to understand why the largest, most active airport with the greatest economic impact, would be denied what has already been given to other Kansas airports. These airports may well be in competition at some point with the Wichita Airport Authority and it would be unfair to continue to allow them to operate under a different set of rules.
  
3. This request is justified by the operation of the Wichita Airport Authority. As previously mentioned, no city or county tax dollars are used in this operation. Yet, we have completely remodeled the terminal facilities and expanded the services offered to the traveling public throughout Kansas. We have upgraded the runways, increased safety factors and improved the property itself. We have been able to do this because it is run in a business-like manner and has not taken a single penny out of the Wichita or Sedgwick County taxpayer's pocket. On the other hand, it has provided strong economic impact to the community.
  
4. This proposal is an equitable one. There are a number of tenants who have invested millions of dollars in building facilities, all with the understanding that those facilities would be exempt from property taxes. It would be an inequitable situation to change the rules on those people at a later date, particularly when some of their leases are fifteen and twenty year leases.

5. If for no other reason, logic prevails on the side of passing this statute. Keep in mind that our tenants do not own the land. That belongs to the Wichita Airport Authority and truly to the City of Wichita. Please keep in mind that the tenants don't own the buildings. The leases are written that all the properties and all their capital investments revert to the ownership of the Wichita Airport Authority and to the City of Wichita. Therefore, they don't own the land and they don't own the buildings that they have built with their own money. Where is the logic in now trying to tax them on the property?

In summary, I urge your consideration of this bill because it is very much needed. Bringing this properties onto the tax rolls could be devastating to the operation of the airport and, in fact, would simply be passing on taxes to the people in the City of Wichita. For the above reasons, I would ask your favorable consideration of House Bill 2194. It is said that it is bad timing to ask for this bill, but I do not believe it is ever bad timing to pass good and justifiable legislation, which House Bill 2194 is. This is good legislation. It is fair legislation and it is truly necessary.

TESTIMONY  
HB 2194  
SENATE LOCAL GOVERNMENT COMMITTEE  
Bernie Koch, Wichita Area Chamber of Commerce  
March 28, 1991

Mr. Chairman, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce, appearing in support of House Bill 2194.

We support efforts to clear up the tax exempt status of the Wichita Mid-Continent Airport. Changing that status could ultimately result in the necessity to subsidize the operation of the airport with local tax dollars.

The Wichita area business community depends on the airport extensively. Many of our businesses, particularly our major companies, use it when travelling to their other sites, visiting customers, and to bring customers and associates into our area. Business people and other travellers from our region depend on Mid-Continent as well.

We believe that one of the reasons Mid-Continent has twice as many airlines as similarly sized cities is the efficient way it is financially structured and operated.

Passage of House Bill 2194 is necessary to continue those efficiencies and we urge you to support it.

Thank you for the opportunity to submit testimony.

Senate L.G.  
3-28-91  
Attachment 6

KANSAS  
ASSOCIATION



OF  
SCHOOL  
BOARDS



5401 S. W. 7th Avenue Topeka, Kansas 66606  
913-273-3600

Testimony on H.B. 2194  
before the  
Senate Committee on Local Government

by

John W. Koepke, Executive Director  
Kansas Association of School Boards

March 28, 1991

Mr. Chairman and members of the Committee, we appreciate the opportunity to appear before you on behalf of the member boards of education of the Kansas Association of School Boards with regard to H.B. 2194. This bill is the latest in a long line of measures which deal with the authority of various local entities to grant tax abatements. We are increasingly concerned that these abatements are being granted without sufficient consideration of their effect on school funding.

In addition to the loss of local tax base which affects the tax rates for other taxpayers in a school district, the changes which also occur in the district wealth of the affected school district in turn affect the state aid distribution for every other school district in the state. We have also been expressing our concern that the taxing unit most heavily affected by these abatements has no real voice in these decisions.

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We would hope that the legislature would step back from considering all of the abatement grants on an individual basis and develop a consistent policy on tax abatements and industrial revenue bonds which considers the interest of local school districts in these matters. We appreciate the opportunity to appear before the Committee to express our views and I would be happy to attempt to answer any questions.

## MEMORANDUM ON TAX ABATEMENT ISSUES FOR SCHOOLS

School districts levy and expend over 50% of all ad valorem property taxes in Kansas. School districts do not, however, have any control over the tax base on which levies are made. Because of the operation of the School District Equalization Act, a change in the tax base in any school district has a ripple effect on school finances throughout the state.

The legislature is grappling with ways to deal with property taxes following passage of the Classification Amendment and the reappraisal of property throughout the state. Measures to reduce property taxes; reclassify property; limit spending by local governments are all pending in the legislature.

While the legislature debates these issues, another large number of measures are being introduced and heard on the other end of the spectrum. Measures which grant statutory exemptions to more property and measures which limit tax exemptions of the same kinds of property are before numerous committees in both houses. To my knowledge no one has looked at the effect on school finance of most of these measures. Our recommendation is that the legislature not act on all of these measures in isolation but study the effect in total.

Exemption of property taxes comes about in a number of ways including:

- I. Constitutional exemptions
- II. Statutory exemptions
- III. Exemptions by cities and counties for economic development purposes
- IV. Partial or total abatement through the use of industrial revenue bonds and tax increment financing

While the total dollar amount of tax loss varies significantly among school districts, each decision to remove property from the tax rolls will effect all school districts.

In some instances, agreements are reached and contracts signed between property holders and cities and counties for payments in lieu of taxes and this helps off-set the loss of revenue. But the practice varies statewide and there is little consistency in what schools receive in terms of a share of these payments.

With the exception of tax increment financing, school boards have no authority to approve or disapprove tax abatements, yet they are the body most affected by the decisions.

School boards do not object to the use of favorable tax treatment for economic development or for social policy reasons. But we do believe a statewide policy and direction is necessary as school finance is a statewide issue.

Below is a partial list of bills currently in the legislature which address the issue. There may be other measures which would affect the tax base as well.

<u>Bill</u>	<u>Provisions</u>	<u>Location</u>
Sub. S.B. 94	Voluntary payments in lieu of taxes	H. Taxation
S.B. 178	Exempts motor vehicles	S. Ways & Means
S.B. 224	Impact Aid	S. Education
S.B. 320	Levies approval	S. Assessment
S.B. 399	Airport authority to grant exemptions	S. Assessment
H.B 2194 (A)	Exempts Wichita airport authority	S. Local Gov.
H.B. 2247	School districts contracts for payments in lieu of taxes	H. Taxation
H.B. 2314	Affects contracts for exemption in Shawnee County	H. Local Gov.
H.B. 2544	Limits authority to grant exemptions	H. Taxation
H.B. 2545	In lieu of payments and IRBs	H. Taxation
H.B. 2351	Impact aid	H. Education

# DAN BRUNETTI

CRAWFORD COUNTY CLERK

GIRARD, KANSAS 66743

(316) 724-6115

March 28, 1991

TO: Senate Committee on Local Government, Senator Don  
Montgomery, Chairperson

FROM: Dan Brunetti, Crawford County Clerk and Chairperson of  
the Clerks Legislative Committee.

RE: House Bill 2298 relating to the consolidation of  
operations procedures and functions

On behalf of the Kansas County Clerks Association I offer the following comments;

The Kansas Association of Counties voted at their Annual Meeting to include this Bill as part of the 1991 platform. This should demonstrate the unity expressed by all County Offices, Elected and Appointed, County wide and District, as to the urgency and importance of this Legislation.

County Officials are elected by the citizens to do a specific job, and that job should not be subject to random change in responsibility, or functions, without mutual agreement between the offices involved. It is at the consent of the electorate that these individuals hold office, and it should only be by the decision of this same electorate that these positions be eliminated.

As I mentioned previously, the complete K. A. C. organization feels so strongly about this Legislation, that it is included in our 1991 platform. Any Legislation that gains the state wide approval of County officials, from varied political and performance backgrounds, from the largest county in the state to the smallest, must have merit!

The Kansas County Clerks Association is behind this bill 100% and we urge your support.

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"Service to County Government"

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Cherokee County Treasurer  
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**NACo Representative**  
Keith Devenney  
Geary County Commissioner  
(913) 238-7894

**Executive Director**  
John T. Torbert

March 28, 1991

**Testimony**

**To:** Senate Local Government Committee

**From:** John T. Torbert  
Executive Director

**Subject:** HB 2298- County Officer Consolidation

The Kansas Association of Counties supports HB 2298. This legislation is a legislative request of this association.

The legislation clarifies that no county office can be eliminated without an election. Existing legislation is somewhat ambiguous as to what actually constitutes "elimination" of an office. That lack of clarity led to several situations where commissioners attempted de facto elimination of offices without going through the prescribed statutory procedure. We feel this legislation puts the necessary safeguards in place so that it is clear that if a commission wants to eliminate an elected office, either by transferring or otherwise shifting duties, that the elimination would have to be put to a vote. Such a vote would not be necessary if the elected office holder consented to the transfer of those duties.

This bill is the product of a special KAC committee that met throughout the summer and fall months of 1990. It has the support of our affiliate organizations, our governing board and was approved by a vote of our general membership at our annual business meeting last fall.

We urge your favorable consideration of this legislation.

tsjoffcn

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CHEROKEE COUNTY COURTHOUSE

# Betty McBride, Treasurer.

Cherokee County, Kansas  
Columbus, Kansas 66725  
316-429-3848

TO: THE SENATE LOCAL GOVERNMENT COMMITTEE  
FROM: BETTY MCBRIDE, CHEROKEE COUNTY TREASURER  
RE: HOUSE BILL 2298  
DATE: MARCH 28, 1991

Mr. Chairman, members of the committee. I am Betty McBride Cherokee County Treasurer, appearing today on behalf of the Kansas County Treasurer's Association. I wish to express our appreciation to this committee for the opportunity to seek your support of House Bill 2298.

House Bill 2298 if enacted would amend KSA 12-3903 and would mandate that an election be held prior to the abolishment of any county office. It further provides that the statutory duties of an elected official can not be transferred without the consent of the elected official holding that office.

Background history leading to the introduction of House Bill 2298 began in 1989 when one Kansas county governing board utilized KSA-12-3903 and their home rule powers and voted to transfer all the duties of the County Treasurer's office and lowered the salary of the County Treasurer to \$1.00 per year. The Attorney General later ruled that this action constituted the abolishment of this office without the electorate having the opportunity to vote and therefore the office remained in name only. In 1990 the governing board placed before the voters at the November general election the question to abolish or retain the office of County Treasurer. The electorate spoke loudly by voting to retain the Treasurer's office 6,477 to 2,681. However to date most of the duties have not been transferred back to the Treasurer's office and the salary is still half of the previous Treasurer's. The present Treasurer is receiving approximately \$12,000.00 per year.

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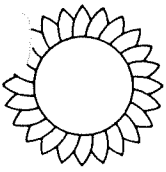
In an effort to correct this problem Senate Bill 800 was introduced late in the 1990 session but received mixed reactions due to the language contained in the bill. A committee was appointed by the Kansas Association of Counties executive director John Torbet consisting of representatives from the following associations, County Commissioners, County Treasurers, County Clerks, Register of Deeds, Sheriffs and lobbyist representing Sedgwick and Johnson County. The agreement reached, and action taken by this committee resulted in the language used in House Bill 2298. This language was presented to the Kansas Association of Counties membership at their 1990 November annual convention held in Wichita. It was endorsed 100% by the KAC membership. No descending votes were cast. It now appears on the Kansas Association of Counties platform as an endorsed objective.

To insure that the above mentioned situation will not have to be dealt with in the future the Kansas County Treasurer's Association asks and would appreciate your favorable support for the passage of House Bill 2298.

Respectfully,



Betty McBride  
Cherokee County Treasurer



MARCH 28, 1991

SENATE LOCAL GOVERNMENT COMMITTEE

HEARING ON HOUSE BILL 2298

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL OFFICER,  
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the committee, my name is Gerry Ray representing the Johnson County Board of Commissioners, and appearing today in support of House Bill 2298.

In 1990 a bill similar to House Bill 2298 was introduced late in the Session. Johnson County strongly opposed that bill and due to the effort of several people it was tabled by a House committee. Last summer, the Kansas Association of Counties formed a committee of the interested parties to work out an agreeable solution on the question of transfer and consolidation of duties. Johnson County Commissioner Murray Nolte and I served on that committee. A great deal of time and effort was given by representatives of the various groups and the result of that work is the legislation in House Bill 2298.

We feel it is a reasonable compromise and one that everyone can live with. The Johnson County Commission agreed to support the bill, if there are no amendments made to it. It is hoped that if the bill becomes law it will alleviate the fears and concerns that seem to have developed regarding the role of county administrative officers.

During any legislative session, counties have many issues that affect them and must be dealt. It is our desire that this question will be settled quickly and decisively, so we can turn our attention to other issues on which a united effort on the part of local government is needed.

*Senate L.G.,  
3-28-91  
Attachment II*



## *McPHERSON COUNTY*

TESTIMONY ON HOUSE BILL 2298  
BEFORE THE SENATE LOCAL GOVERNMENT COMMITTEE  
BY TONY WEDEL  
ON BEHALF OF THE  
BOARD OF MCPHERSON COUNTY COMMISSIONERS  
MARCH 28, 1991

The basic issue of House Bill 2298 is "Who should manage county government?"

Several years ago McPherson County had problems with the accounting system. First, we secured the professional assistance of a government auditing firm. It was asked to develop a system that best fit our county's needs. Basically, the recommendations given us involved eliminating the duplications that were taking place, computerizing the accounting system, and putting an accountant on staff. We were able to use these statutes to improve our local government, resulting in savings for our taxpayers.

At a time when the state legislature is seriously concerned about property tax, I find it interesting that some want to limit county commissions who want to make local government as efficient and effective as possible. Progress generally comes in small steps. This bill eliminates the commission's ability to try innovative efficient ideas. Because all improvements will require a public vote, very few improvements will be attempted, resulting in an antiquated local government locked in place.

What is your philosophy of the future needs of county government? If you think that in the future county government should try to eliminate duplication, then you can't support this bill. If you think in the future county government should consolidate labor and work, while maintaining services, then you can't support this bill.

The heart of this bill is who should manage county government? It's interesting to me that the legislature finds it satisfactory for communities to elect school board members and accepts their authority to manage local school districts. The legislature finds it satisfactory for cities to elect council members and gives them authority to manage city government.

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**MCPHERSON COUNTY COMMISSIONERS**

McPherson County  
Courthouse

Duane Patrick  
District 1

Dean R. Bacon  
District 2

Tony Wedel  
District 3

P.O. Box 676  
Phone No. 316-241-8149

When it comes to county government the legislature takes a different approach. County Commissioners have financial authority and some management authority. Elected administrative officials have mandated administrative authority. When problems arise who should or who can solve them under our system? The answer far too often has been, take it to Topeka. Be it salary for treasurers, motor vehicle funds, or a thousand other issues. This bill would allow the voting public to make administrative decisions. I believe the public should vote on policy issues not administrative procedures. Put the county commission in charge of county government. That is in fact, how the majority of the public presently perceives county government. If not the county commission, then decide where the buck stops and who should make administrative decisions in county government. Because until you do, efficiency will continue to not be a word associated with county government.