

Approved Wednesday 3-16-92
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

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

11:00 a.m./~~pm~~ on Wednesday, March 4, 1992 in room 519-S of the Capitol.

All members were present except:

Committee staff present:
Bill Edds, Revisor's Office
Don Hayward, Revisor's Office
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:
Senator Richard Rock, Chief sponsor, of **SB618**
Chuck Goad, Independence, Chamber of Commerce
Patricia E. Baker, Associate Executive Director/General Counsel, KS Assn. of School Boards
Bernie Koch, Wichita Area Chamber of Commerce
Mary Ellen Conlee, KS Assn. for Small Business
Jack Glaves, Eastern Panhandle-Wichita
Bob Corkins, KS Chamber of Commerce and Industry

Chairman Dan Thiessen called the meeting to order at 11:05 and said the agenda for today is a hearing on **SB723** and **SB618** and he recognized Senator Richard Rock, Co-Sponsor of **SB618**.

SB618: School District property tax levies not affected by economic development property tax exemptions granted by cities or counties.

The following conferees are proponents of SB618

Senator Richard Rock said this bill will have no effect on exemptions of ad valorem taxes levied for non-school debt purposes, by any municipal or county, or any other taxing unit, and there are approximately 20 other categories of local taxing units in KS.

He said Cowley County has 71 distinct and autonomous entities that are levying property taxes. He said attached to his handout is a copy of KSA 79-251, which places certain specific limitations of the authority of counties and cities regarding such exemptions.

He said, he and Senator Phil Martin have discussed 2 potential amendments to the bill that may be appropriate. He said, he has no balloons to offer, but explained the concepts. (1) Provide some manner of controlled "pin hole" in this bill for unusual local circumstances that may arise. He said, if there is an unusual need for an exemption to retain a major industry, perhaps some means of local appeal to the Department of Revenue and within some established procedural standard should be provided. If so, such standards should be strictly construed and rarely given. (2) He said, he felt that a date certainly should be placed in the bill to become effective before this legislature adjourns, in order to avoid a plethora of exemptions prior to July 1, 1992. (**ATTACHMENT 1**)

After committee discussion Chairman Thiessen concluded the hearing on **SB618** and turned attention to **SB723** recognizing Chuck Goad, Independence Chamber of Commerce.

Chuck Goad, said he would like to introduce a group from Independence, KS to show the committee members the broad support they have on **SB723**. He introduced Vince Driski, Independence Action Partnership, Lorne Schlatter, Independence Action Partnership, Mike Seller, Commissioner, City of Independence, Paul Sasse, City Manager, City of Independence, Larry Kimble, Independence Industries and Susan Barrett, Mercy Hospital.

He said they are here to talk about the future and growth of their community. Independence desires and needs to promote economic growth. He said, **SB723** would be a vital first step in the establishment of a strong economic development fund which will be a critical component in their community's future development.

He said the recent recession has caused a number of permanent changes that have negatively impacted their business environment and has highlighted the need for economic development.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./p.m. on Wednesday, March 4, 1992.

He said, they have learned that it is absolutely essential that a source of revenue be identified and used to start an economic development fund. Only then can they take advantage of matching funds and provide direct incentives to businesses if called for. He said **SB723** would allow them to help themselves, and he asked the committee's favorable support on **SB723**. (ATTACHMENT 2)

After committee discussion Senator Thiessen turned attention back to **SB618** and recognized Patricia Baker, Associate Executive Director/General Counsel, KS Association of School Boards.

Patricia E. Baker said over the last several years KASB has sought to bring attention to the effects on school finance of various tax exemption and abatement actions, and as a result, she said they have been accused of opposing economic development in KS. She said this is not true, as the Kansas economy prospers, so do KS public schools.

She said, they have long maintained that the cost of operating our public schools should be shifted away from ad valorem property taxes, and she said until those shifts occur, they oppose continued exemptions and abatements for some which will be paid for by others. (ATTACHMENT 3)

The following conferees are opponents of SB618.

Bernie Koch, Wichita Area Chamber of Commerce said the argument with **SB618** seems to be that they in Sedgwick and other counties are abating away their wealth. He said they believe that they are using abatements as one of many tools to create wealth, wealth that they in Sedgwick County share with the rest of the state. He said, that wealth has been used in the past and will be used in the future for the financing of all schools in KS, as well as other state functions.

He said about 75% of the total constitutional abatements granted are not for real property. They are for machinery and equipment. He said, he would like to point out that the committee may be faced with a situation where a 100% abatement actually increases revenue to the state, revenue that can be used for the benefit of all Kansans, including school children. He said, you may lose that revenue if local governments don't have the flexibility to grant a 100% abatement. He said attached to his handout is a Cost-Benefit Analysis of the Fiscal and Economic Impact of New or Expanding Firms Requesting Tax Abatements, prepared by Oread Laboratories, Lawrence KS. (ATTACHMENT 4)

Mary Ellen Conlee, KS Association for Small Business said they are an organization of small manufacturing companies and she said Art. 11, Sec. 13 tax abatements are a significant part of their economic development tax incentive package. She said the abatements are used by small manufacturing to reduce the cost of expansions. She said larger business expansions, those over \$2M can utilize IRB financing and its associated property tax exemptions if state allocations are available.

She said the small manufacturing companies in the KS Association for Small Business must invest in new machinery and equipment to remain on the approved supplier lists of the major aircraft manufacturers in KS and throughout the country. She said the strong tax incentive program like the one developed by this legislature in 1986 has helped their KS companies grow. She said they have jobs in KS while many other areas of the country are in severe economic decline. She asked the committee members, not to chip away at their competitive edge for \$8M to \$10M per year in assessed valuation. (ATTACHMENT 5)

Jack Graves, Eastern Panhandle-Wichita said he is representing a subsidiary of Eastern Panhandle, National Helium, which has a helium plant near Liberal, Air-Products. He said Air Products applied last year for an abatement at that site for expansion and there has been a legal issue raised as to whether it is a new business or an expansion which the County Commission feels affects the eligibility of the facility. He said an Attorney General's Opinion has been requested and he said, he is fearful that he will not have a determination on this issue by July 1, so if this bill did become law, he said they would be precluded from obtaining the abatement, after the school valuation, which would be about one-half of it.

He asked that consideration be given to amend the bill on line 20, after the word granted, insert "or applied for" then change the effective so it would be effective on publication of "Special State Paper", rather than in the statute book. (**NO WRITTEN TESTIMONY**)

Bob Corkins, KS Chamber of Commerce and Industry testifying in **opposition to SB618** said

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room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Wednesday, March 4, 1992

statewide calculations suggest that local officials have not abused this option. Roughly \$10M in tax revenue if, forfeited from property which has been abated under the constitution's economic development provision since 1986. Lost school district revenues would only be a portion of this amount. Many abated businesses make payments to school districts "in lieu of" such property taxes. He said, when you compare the "cost" of school tax abatements to the \$950M in property tax revenue now collected by USDs, it is clear that the revenue "advantage" of **SB618** would be minimal.

He urged the committee members to reject this proposal and reaffirm the policy which two-thirds of the House and Senate, and a majority of the voting KS public has already endorsed. (ATTACHMENT 6)

Chairman Dan Thiessen concluded the hearing on **SB618** and adjourned the meeting at 12:10 p.m.

GUEST LIST

COMMITTEE: ASSESSMENT & TAXATION

DATE: Wed. 3-4-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Alan Steppat	Topeka	Pete Mcbill & Associates
Bob Corkins	"	: KCCI
HAROLD PATTIS	"	AARP-CCTF
Cal Lantis	Topeka	KDOC
Mike Goman	Wichita	The Boeing Company
Steve Jones	Wichita	Boeing
Bill Waters	Topeka	PVD - KDOR
Cathy Holdeman	Wichita	City of Wichita
Mary Ellen Corle	Wichita	Ks Assoc for Small Business
LISA GETZ	Wichita	Ks ASSO for Small Business
ALAN COBB	Wichita	Ks Assoc For Sm. Bus.
Ruth Wilkin	Topeka	League of Women Voters
John Peterson	Topeka	Boech
Jim Irish	Topeka	Greater Kansas Chapter APPRAISAL INSTITUTE
Pat Baker	Topeka	KASB
Janie Zarkie	Moscow	USD 209
Mick Barber	Moscow	USD 209
Judy Ulrich	Manhattan	USD 383
Camilla Budke	"	"
Jean Barber	Topeka	TIAR
REV BRADLEY	Topeka	Ks Assoc of Counties
Christy Young	Topeka	Topeka Chamber of Com
Bernie Koch	Wichita	Wichita Chamber
Mary Ellen Simon	Topeka	Lg. of Women Voters
Dennis Zimmerman	Wichita	Ch. Co. Chamber / Eco Devo

GUEST LIST

COMMITTEE: ASSESSMENT & TAXATION

DATE: WED. 3-4-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Ethel Evans	Grant Co.	Commissioner
Gaila M. Henry	2842 Wedgewood Wichita Sedg Co	LWU AAUW
MARION E. BURKE	Sedgwick County	LWV
Phyllis Siefert	1735 W. 20th Ter. Lawrence 66048	LWV
Colleen Dunlop	116 Hilltop Drive Lawrence 66044	LWV
Janeine Cardin	1722 W. 28th Terr Lawrence KS 66046	LWV
Mary P. Miller	1709 Indiana Lawrence 66044	LWV
Ellen K. Estes	8512 Lakeland Cir. Wichita KS 67207	LWV - Wichita-Metro
Jerri Pennington	1737 Trowman Emporia, KS 66801	LWV - Emporia
Susie Aber	2002 Holiday Emporia KS 66801	LWU - KS + Emporia
Kay Calvert	1238 West Emporia KS 66501	LWV
Jeanne Linn	3835 No. Clarence Wichita, KS 67204	League of Women Voters - Wichita/Metro
Ruth Shue	3906 Garland Wichita, KS 67204	LWV - Wichita
Karen Bauer	11508 Taft Wichita, KS 67209	LWU - Wichita
Sharon Alshlager	303 Wheatland Blvd. Wichita, KS 67235	LWU - Wichita
Keith Tolson	508 Oscar Olathe, KS 66061	LWU - Olathe
Theresa D. Tolson	508 Oscar Olathe, KS 66061	LWU of Do G. Olathe
Ann Etter	621 N. Walker Olathe, KS 66061	League of Women Voters JOCO - Olathe
Pat Lasher	Olathe	League of KS
Pat Long	Independence	City of Independence
G. Barks Sherwood	Independence	City Commissioner Retired Highway Contractor
MIKE J. SELLER	11	CITY COMMISSIONER
Russ Bishop	Houston Texas	Ranhamell Eastern
Jack Graves	Wichita	" "
ROBIN NICHOLS	Wichita	USD 259

BEFORE SENATE COMMITTEE ON ASSESSMENT & TAXATION

Testimony of Senator Dick Rock regarding S.B. 618

Mr. Chairman and distinguished Committee.

Senate Bill No. 618 is an effort to eliminate the right of counties or cities to grant exemptions and/or abatements of ad valorem taxes when such taxes have been levied by or on behalf of a unified school district.

This bill would have no effect on exemptions of ad valorem taxes levied for non--school debt purposes, by any municipal or county - or any other taxing unit - and there are approximately twenty other categories of local taxing units in Kansas.

I was somewhat amazed to learn that in Cowley County - there are 71 - distinct and autonomous entities that are - in fact - levying property taxes

In order for you to understand the constitutional and statutory basis for such exemptions and for this proposed bill, I have attached hereto a copy of article 11, Section 13 of the Kansas Constitution - which grants to counties and cities the right to grant certain exemptions of ad valorem taxes - and which provides the legislature with the power to limit or prohibit such exemptions.

I have also attached a copy of KSA 79-251, which places certain specific limitations of the authority of counties and cities regarding such exemptions.

The circumstance that gives rise to this proposed legislation is the real possibility of a state wide ad valorem mill levy for school finance purposes. If that should occur, the basic concept of local exemptions takes on a new and disturbing prospect. The premise for local ad valorem exemptions in Kansas has always been that local units of government - sustained by local property tax levies enacted by local authority is controlled by the local citizenry who pay the price and gain the benefits. There is, consequently, a local quid pro quo - and a local incentive to limit such exemptions except when there is a local benefit that out weighs the ultimate and inevitable shift of tax burden from those local industries that are exempted to the local citizens who must shoulder the consequent shift in Tax burden.

SENATE ASSES. STAX

3-4-82

ATT. 1-1

If and when the State levies a uniform and state wide tax on property - and to the extent that the State does so that incentive does a 180 degree turn. A state wide levy becomes an instant incentive for counties and cities to lower there local tax base and send fewer local tax dollars to the state wide school finance fund.

This gives rise to two major problems in Kansas. The greater of these problems is the current status of appraisals in Kansas. There is a major - I repeat - major inconsistency among Kansas counties in the status of appraisals. I am one of the Senators who were members of the sub-committee considering the budget for the Department of Revenue. We have added - in these times of restricted budgets - we have added 25 new audit positions to Revenue due to the possibility of a state wide levy becoming reality. I have no doubt that much more will need to be done to establish standards, educate, train and supervise appraisals in this State.

This bill speaks to the other problem. Cities and counties would have reason to grant local exemptions with impunity. Millions of dollars in potential school funding could be effectively avoided at a local level, particularly in urban areas. Such actions would be patently unfair to counties and communities that did not grant such exemptions.

Senator Martin and I have discussed two potential amendments to this bill that may be appropriate. I do not have balloons to offer, but I will explain the concept.

It may be wise to provide some manner of controlled "pin hole" in this bill for unusual local circumstances that may arise. If there is an unusual need for an exemption to retain a major industry, perhaps some means of local appeal to the Department of Revenue and within some established procedural standard should be provided. If so, such standards should be strictly construed and rarely given.

Secondly, I feel that a date certainly should be placed in this bill to become effective before this legislature adjourns, in order to avoid a plethora of exemptions prior to July 1, 1992.

et seq. to be special taxes. *Southeast Kansas Landowners Ass'n v. Kansas Turnpike Auth.*, 224 K. 357, 371, 582 P.2d 1123.

§ 11. Taxation of incomes; adoption of federal laws by reference. In enacting any law under section 2 of this article 11, the legislature may at any regular, budget or special session define income by reference to or otherwise adopt by reference all or any part of the laws of the United States as they then exist, and, prospectively, as they may thereafter be amended or enacted, with such exceptions, additions or modifications as the legislature may determine then or thereafter at any such legislative sessions.

History: L. 1966, ch. 14—Spec. Sess.; Nov. 8, 1966.

Cross References to Related Sections:

Taxation of income, see § 2 of this article.

CASE ANNOTATIONS

1. Mentioned in holding that 79-3290 does not constitute an unlawful delegation of legislative power. *Missouri Pacific Railroad Co. v. McDonald*, 207 K. 744, 747, 486 P.2d 1347. Affirmed: 208 K. 479, 493 P.2d 280.

§ 12. Assessment and taxation of land devoted to agricultural use. Land devoted to agricultural use may be defined by law and valued for ad valorem tax purposes upon the basis of its agricultural income or agricultural productivity, actual or potential, and when so valued such land shall be assessed at the same percent of value and taxed at the same rate as real property subject to the provisions of section 1 of this article. The legislature may, if land devoted to agricultural use changes from such use, provide for the recoupment of a part or all of the difference between the amount of the ad valorem taxes levied upon such land during a part or all of the period in which it was valued in accordance with the provisions of this section and the amount of ad valorem taxes which would have been levied upon such land during such period had it not been in agricultural use and had it been valued, assessed and taxed in accordance with section 1 of this article.

History: L. 1975, ch. 516, § 1; Nov. 2, 1976.

Law Review and Bar Journal References:

"Differential Assessment of Agricultural Land in Kansas: A Discussion and Proposal," 25 K.L.R. 215, 230 (1977).

"Comprehensive Land Use Control Through Differential Assessment and Supplemental Regulation." Clarence J. Malone and Mark Ayesch, 18 W.L.J. 432, 445, 453 (1979).

"The Kansas Property Tax: Understanding and Surviving

Reappraisal," P. John Brady, Brian T. Howes and Greg L. Musil, 57(3) J.K.B.A. 23, 24 (1988).

Attorney General's Opinions:

Valuation based on agricultural income or productivity. 85-135.

§ 13. Exemption of property for economic development purposes; procedure; limitations.

(a) The board of county commissioners of any county or the governing body of any city may, by resolution or ordinance, as the case requires, exempt from all ad valorem taxation all or any portion of the appraised valuation of: (1) All buildings, together with the land upon which such buildings are located, and all tangible personal property associated therewith used exclusively by a business for the purpose of: (A) Manufacturing articles of commerce; (B) conducting research and development; or (C) storing goods or commodities which are sold or traded in interstate commerce, which commences operations after the date on which this amendment is approved by the electors of this state; or (2) all buildings, or added improvements to buildings constructed after the date on which this amendment is approved by the electors of this state, together with the land upon which such buildings or added improvements are located, and all tangible personal property purchased after such date and associated therewith, used exclusively for the purpose of: (A) Manufacturing articles of commerce; (B) conducting research and development; or (C) storing goods or commodities which are sold or traded in interstate commerce, which is necessary to facilitate the expansion of any such existing business if, as a result of such expansion, new employment is created.

(b) Any ad valorem tax exemption granted pursuant to subsection (a) shall be in effect for not more than 10 calendar years after the calendar year in which the business commences its operations or the calendar year in which expansion of an existing business is completed, as the case requires.

(c) The legislature may limit or prohibit the application of this section by enactment uniformly applicable to all cities or counties.

(d) The provisions of this section shall not be construed to affect exemptions of property from ad valorem taxation granted by this constitution or by enactment of the legislature, or to affect the authority of the legislature to enact additional exemptions of property from ad va-

History: L. 1990, ch. 345, § 5; July 1.

79-222 to 79-249. Reserved.

79-251. Limitations upon authority to grant property tax exemptions pursuant to section 13 of article 11 of constitution. Prior to the granting of an exemption for any property from ad valorem taxation pursuant to the provisions of section 13 of article 11 of the Kansas constitution, the board of county commissioners of any county or the governing body of any city, as the case requires, shall be required to do the following:

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

(1) The required preparation of an analysis of the costs and benefits of each exemption prior to the granting of such exemption;

(2) a procedure for monitoring the compliance of a business receiving an exemption with any terms or conditions established by the governing body for the granting of the exemption; and

(b) conduct a public hearing on the granting of such exemption. Notice of the public hearing shall be published at least once seven days prior to the hearing in the official city or county newspaper, as the case requires, and shall indicate the purpose, time and place thereof. In addition to such publication notice, the city or county clerk, as the case requires, shall notify in writing the governing body of the city or county and unified school district within which the property proposed for exemption is located.

History: L. 1990, ch. 345, § 1; July 1.

79-252. Condition of granting property tax exemption for personal property pursuant to section 13 of article 11 of constitution. No board of county commissioners of any county or the governing body of any city shall exempt any tangible personal property of a business pursuant to section 13 of article 11 of the Kansas constitution, whether such personal property is in the state of Kansas and subject to ad valorem taxation or has been exempted from taxation pursuant to section 13 of article 11 of the Kansas constitution, except that, if the board of county commissioners or governing body of a city makes a factual determination that such an exemption is required to retain jobs in the state of Kansas, an exemption may be granted for such tangible personal property.

History: L. 1990, ch. 345, § 2; July 1.

Article 3.—LISTING PROPERTY FOR TAXATION

Law Review and Bar Journal References:

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Eric B. Milstead, 37 K.L.R. 961, 981 (1989).

79-301.

Attorney General's Opinions:

Merchants' and manufacturers' inventory; recertifying valuations of public utility property; time for collection. 90-8.

Voluntary transfer of personal property before tax paid; lien. 90-121.

79-306.

Attorney General's Opinions:

Merchants' and manufacturers' inventory; recertifying valuations of public utility property; time for collection. 90-8.

79-335. Mobile and manufactured homes; listing for property taxation; forms; valuation and listing on rolls. The owner of each mobile home or manufactured home shall on forms prescribed or approved by the director of property valuation furnish a listing of each mobile home or manufactured home owned or possessed by such owner for property taxation and any other information required by the director of property valuation. Such listing shall be furnished to the county appraiser of the county in which the mobile home or manufactured home is situated.

History: L. 1970, ch. 47, § 2; L. 1982, ch. 391, § 25; L. 1991, ch. 33, § 38; July 1.

79-336. Owner, lessee or operator of park or land to notify assessor of all mobile and manufactured homes located in park or on land; forms. The owner, lessee or operator of any mobile home park, and the owner of any land which is not used as a mobile home park but where any one or more mobile homes or manufactured homes are located, shall furnish the county clerk or assessor of the county wherein said mobile home park or land is located a list of all mobile homes or manufactured homes located thereon as of January 1 of each year, and shall notify the county clerk or assessor of any mobile home or manufactured home moved onto such premises from any location outside the boundaries of such county after January 1 and before July 1 of each year. Such information shall be furnished in the manner and on forms prescribed by the director of property valuation.

History: L. 1970, ch. 47, § 3; L. 1991, ch. 33, § 39; July 1.

Senate Committee on Assessment and Taxation

**The Honorable Dan Thiessen, Chairman,
and members of the Senate Committee on
Assessment and Taxation**

March 4, 1992

SENATE ASSES. & TAX
3-4-92
ATT. 2-1

Summary

We are here today from Independence to ask for your support of Senate bill 723. Attending this meeting on behalf of our community are:

Vince Driski, Independence Action Partnership
Lorne Schlatter, Independence Action Partnership
Mike Seller, Commissioner, City of Independence
Paul Sasse, City Manager, City of Independence
Larry Kimble, Independence Industries
Chuck Goad, Independence Chamber of Commerce
Susan Barrett, Mercy Hospital

We are here to talk to you about the future and growth of our community. Independence desires and needs to promote economic growth. Passage of S.B. 723 would be a vital first step in the establishment of a strong economic development fund which will be a critical component in our community's future development.

Over the past 25 years 3 new major employers (Emerson Electric, Automotive Controls Corporation, Hackney & Sons) came to Independence while two others (Electra Manufacturing, Starcraft) left. Although some growth occurred in the community businesses it has tended to generally fluctuate depending on the strength of the economy. Though gradual, there has generally been improvement in the economy of the community until recently.

The recent recession has caused a number of permanent changes that have negatively impacted our business environment and has highlighted the need for economic development. In the last 12 months 109 jobs have been eliminated in our community. Announcements of another 20 have been recently received. Within a 45 mile radius of our community, approximately 1,365 jobs will be eliminated over the next few months. The loss of this income represents a serious threat to the future of our community.

The community responded quickly and positively to these adverse changes. A "grass roots" organization was formed to begin formulating an action plan. This group is the Independence Action Partnership (I.A.P.) and is represented here today. The I.A.P. is a partnership of business, government, and private citizens. Hundreds of civic minded people invested their time to produce our strategic plan. Professor Tony Redwood at the University of Kansas came to Independence after reviewing the document to provide input and recommendations. The review was very favorable particularly in view of the fact that Independence citizens completed the plan on their own without grant money which has been provided to other cities under similar circumstances. A new promotional video was completed at the end of 1991. Even with all of this effort by the community, we have found it almost impossible to attract new business without the funding necessary to provide some type of economic incentives. In fact, several industrial prospects have been lost over the past several months because of this deficiency.

We have learned that it is absolutely essential that a source of revenue be identified and used to start an economic development fund. Only then can we take advantage of matching funds and provide direct incentives to businesses if called for.

Again, your very important support for this bill is being requested to help ensure the future of our community and other Kansas communities like ours. Senate bill 723 will allow us to help ourselves. It will allow the voters of our community to authorize the economic development funds they so desperately need. Thank you for your time and your consideration.

Situational Analysis and Planning

The city of Independence was built on a strong economic base of agricultural, oil & gas, and small business. During the late 1960's and 1970's we recognized the need for introduction of manufacturing into our economic mix. We were successful in recruiting several large manufacturing businesses into our community, two of which are Fortune 500 companies.

With the economic downturn beginning in the 1980's the city experienced an increased unemployment rate from approximately 2% in 1980 to over 14% in 1985. This high unemployment has resulted in loss of population as witnessed by the recently released census data which showed the city's population decreasing from 10,598 to 9,942 from 1980 to 1990. In addition, the total civilian workforce in Montgomery County went from 21,525 to 17,920 over the same period. Of significant concern was the recent announcement of the loss of additional jobs from what was traditionally thought of as stable employers in our community.

In the last 12 months:

1. Arco Pipeline has transferred 50 families to Houston, Texas.
2. Arco Pipeline eliminated 49 jobs in a corporate restructuring plan.
3. Southwestern Bell has eliminated 10 jobs in Independence.
4. The U.S. Postal Service has announced the transfer of an additional 20 jobs from Independence.

This does not reflect the loss of 950 jobs from Phillips Petroleum Company in Bartlesville, Oklahoma or 415 jobs at Day and Zimmerman in Parsons, Kansas, both of whom provided employment opportunities to citizens of our community.

Based on a review of the type and average income of the jobs above, it is estimated that the loss of disposable income due to these relocations and job losses will be approximately \$5,850,000 in our community alone. Using a conservative multiplier effect factor of 3, we estimate the economic impact to our community to be approximately \$17,550,000. The economic loss occurring over the last 12 months represents a tremendous threat to our local economy. We have been confronted with a situation that demands immediate action.

The situation we have just described to you is not unique, it is one that many communities in Kansas face. Rural communities in Kansas must begin to apply a serious and focused approach for adapting to and anticipating change.

In April of 1991, a coalition of citizens from Independence, Kansas formed to begin developing strategies which would enable the community to survive the economic changes it was experiencing and produce a strategic plan to preserve its quality of life into the 21st century. This coalition was named the Independence Action Partnership.

The first step in the planning process was to identify economic development assets, or the lack thereof, that would assist us in attracting new industry, expanding existing industries, and working with local entrepreneurs in our community. Hundreds of local citizens participated in the development of a strategic plan. The plan includes initiatives in the following areas:

1. **INDUSTRIAL RECRUITMENT AND EXPANSION.** Strategies include developing an attractive industrial park including infrastructure and speculative manufacturing facilities.
2. **EDUCATION.** Providing vocational and community colleges resources to new and expanding businesses for employee training and retraining.
3. **CHILD CARE.** Making reasonably priced child care available to employees around the clock.
4. **TOURISM.** Developing activities to supplement and enhance existing historical and recreational assets.
5. **HOUSING.** Making affordable housing available to low and moderate income families. In addition, making resources available to low and moderate income families to enable them to make energy efficient and aesthetic improvements to their homes.
6. **MARKETING.** Developing means by which our community can attract and retain industry.
7. **TRANSPORTATION.** Identifying and planning for transportation facilities necessary to preserve economic prosperity.
8. **FUNDING.** Identifying sources of funding for implementation of strategies.

The above list may appear ambitious but accomplishing the tasks listed are essential to preserving the community's quality of life and economic vitality.

The community is progressive. It has been willing to re-invest in itself with a new \$3,472,000 elementary school, \$1,000,000 restoration project at our 125 acre park and zoo, \$6,000,000 jail, and the continued maintenance of our City's infrastructure. Citizens from our community worked vigorously in support of the Southeast Kansas highway corridor. Our ability to complete the

above strategies, however, is impeded by the City's current statutory authority to raise funds.

Representatives of the Kansas Department of Commerce have advised that the lack of certain amenities eliminates our community from over 70% of the industrial prospect inquiries they receive. Our industrial recruitment and expansion strategies will resolve this situation.

Senate Bill 723 addresses our needs. It provides for the following:

1. A local optional sales tax levy of 1/2% above the currently authorized local sales tax levy to dedicate to economic development purposes.
2. Has a 5 year sunset provision.

If enacted and approved locally by our voters the 1/2% sales tax will generate revenue, based on current levels of receipts, of \$556,000 per year. The funds can be used to address the following needs:

1. Funding to get our story out through advertising in other surrounding states.
2. Funds to provide for economic analysis required by all businesses considering Independence.
3. Development of suitable land for business and industrial development that is consistent with the growth patterns of our community.
4. The need to extend streets and utilities on sites available for industrial development, which have the estimated price tag of \$2,500,000. This estimate was proposed by the City's director of engineering services and would be the cost to develop the property adjoining the City and would serve a tract of approximately 80 to 100 acres.
5. The City needs to have funds available to provide "gap" financing for what is available from financial institutions and private resources to aid small, local entrepreneurs willing to take a risk on sound development projects.
6. The community needs to work with private sector developers for the construction of building spaces.

In viewing other states with which we are competing, we anticipate that this level of resources will be required to compete in the area of economic development: i.e. Bartlesville, Oklahoma, located 40 miles from Independence, has an annual budget of \$900,000 for

economic development which is derived from a sales tax levy. This compares with funds available for economic development produced by our citys' industrial levy which generates \$30,000 annually. Funds generated as a result of passage of S.B. 723 will allow us to compete with locations that provide greater funding to local units for economic development purposes. Finally, with the existing business climate, these funds will allow the City to provide incentives which will take away the negative aspects of our current property tax issues that affect our recruitment efforts.

Our request to you is that you support Senate Bill 723. This bill is a "boot strap" effort in that it allows local communities to pull themselves up and take some initiative in controlling their own destiny without reliance for funding from Topeka or Washington. In essence, we are asking for a chance to compete and determine an alternate method of funding our needs other than from property taxes and user fees. This bill provides for the use of a more popular local tax, which is subject to a vote of the people. Again, we ask your support for S.B. 723.

Informational Addendum

During the Fall of 1990/Spring of 1991, Mercy Hospital-Independence sponsored a Community Needs Assessment Project as a pilot for the Sisters of Mercy Health System. The goals of this project were to:

1. Describe: The overall demographic and socioeconomic status of the communities impacting on needs and responses to needs;
2. Identify: The populations in the community that are not being adequately served, their unmet needs, and why their needs are not being met;
3. Develop: Ideas for how needs could be better met; and
4. Establish: Quantitative, baseline measurements to evaluate impact.

Mercy Hospital included four counties in the study area: Chautauqua, Elk, Montgomery, and Wilson. These counties are considered rural. The overall population in this area is 59,601 and has declined by 10.3 percent over the past ten years. The population is expected to continue to decline by approximately 5 percent by the year 1994. Residents are primarily non-Hispanic whites with a median age of 38.

Relevant background data from national, state, and proprietary sources was gathered to provide an initial socioeconomic picture of the study area. This data was supplemented and further refined with information from personal interviews with community leaders. Conclusions were reached in three key areas:

1. Populations not being adequately served
2. Prioritized unmet health and human needs
3. Additional ideas for improved services

Populations Not Being Adequately Served

Three population groups were identified as being "at risk" because their human needs are not being adequately served: the poor population, the elderly population, and young families.

The Poor Population

- Approximately 23 percent of households are existing in poverty with additional households at risk for their health and healthcare.

The Elderly Population

- Elderly represent nearly one-fifth of the study area population

The Elderly Population

- Elderly represent nearly one-fifth of the study area population
- Many are existing with marginal financial security which limits access to basic human resources such as transportation and good nutrition.
- Elderly residents have fewer traditional support systems due to the changing nature of family settings.
- Community-based outreach programs are limited in number and scope.
- The fiercely independent nature of many elderly in this rural area prohibits them from actively seeking assistance from existing programs.

Young Families

- Many young families also exist with marginal financial resources resulting in limitations similar to those of the elderly on food, shelter, and transportation.
- The economic climate of the 1980's and 1990's has necessitated having two working parents. The economic burden is even worse in many single parent homes.
- Poorly developed parenting skills are further strained by financial stress. Births to unwed mothers are higher than state and national levels.
- Substance abuse and household violence are present in many homes.
- Few counseling services are available to these families.

Prioritized Unmet Health and Human Needs

Issues of unmet health and human service needs identified most often by community leaders and health and human service providers and supported by secondary data are presented below:

1. Employment

- Need for better paying and more stable jobs.
Per capita income for the study area was lower (\$12,387) than both state (\$15,740) and national (\$16,513) levels
- Need for more highly skilled workforce.
- Need for increased manufacturing operations.
Economically, the study area is very depressed. Three of the counties (Chautauqua, Elk, and Wilson) are ranked as the first, third, and fourth most economically depressed in the area, a trend that is reflective of the state of Kansas as a whole (down 17 percent in the 1980's)

2. Social Services

- Need for more and better staffed outreach programs
- Need for efficient coordination of health and social services and less intrusive application processes to receive social services
- Need for confidential family counseling including services directed to substance abuse, household violence, and financial management issues

3. Education

- Need for expanded literacy, GED programs
- Need for basic skill, educational services (job, parenting, financial)

4. Healthcare

- Need for continuum of care networks (especially for indigent and uninsured)
- Need for increased healthcare promotion
- Need for longterm care (Elk) and hospice services
- Need for better access to health services in the rural areas
- Need for primary care providers: Pediatrician (Independence), Permanent Full-time Physician (Elk), Dental Care (Elk), Emergency Services (rural areas)

5. Housing

- Need for increased low income housing (Chautauqua/Elk)
- Need for increased rental opportunities
- Need for increased temporary housing for the homeless
- Need for mid- to high-income housing (Wilson)

6. Transportation

- Need for affordable, timely, and convenient transportation especially in the rural areas.

ECONOMICS

UNEMPLOYMENT RATES - COUNTY, STATE

	U.S.	KS	CHAU	ELK	MONT	WILSON
1990	5.5%	4.4%	4.3%	4.4%	5.9%	5.3%
1989	5.3%	4.0%	5.2%	4.4%	5.1%	5.4%
1988	5.5%	4.8%	6.0%	5.2%	6.3%	7.4%
1987	6.2%	4.9%	6.7%	5.5%	6.3%	6.1%
1986	7.0%	5.4%	8.4%	7.3%	7.8%	6.6%
1985	7.2%	5.0%	4.3%	5.1%	7.5%	6.7%
1984	7.5%	5.2%	4.7%	5.5%	8.5%	7.2%
1983	9.6%	6.1%	7.7%	7.7%	12.4%	8.8%

Source: Kansas Department of Human Resources

Unemployment rates include those persons not working, but searching for work. These rates are developed by dividing the number of those unemployed in active job searches by the labor force in a given area. Counts of those actively seeking work are taken through monthly surveys of employment agencies and from unemployment benefits offices.

In rural communities with significant elderly populations who are generally not employed, the labor force is smaller compared to the total population. People without jobs often outmigrate thus skewing the employment rate artificially low. Persons who have chosen not to work or look for work would not be included in unemployment counts. Although unemployment rates are decreasing along with state and national rates, a closer look at employment by type provides more clarity of the economic picture.

SELECTED ECONOMIC INDICATORS

	KANSAS	CHAUTAUQUA	ELK	MONTGOMERY	WILSON
No. of employed persons over 16 - 1988	1,216,000	2,129	1,586	18,199	4,751
% of Total Pop. 1988	48.7%	41%	39.4%	41.1%	45.5%
Per capita Income 1988	\$15,736	\$11,608	\$12,536	\$12,687	\$12,618
1984 Total earnings (in millions)	22,108	22	13.5	296	76
1984 Earnings Goods related* (by percent)	29.0%	25.6%	15.4%	43.6%	42.3%
1984 Service related/ other** (by percent)	64.8%	61.1%	67.5%	55.1%	41.3%
1984 Farm earnings (by percent)	6.1%	13.3%	17.1%	1.3%	16.3%

NOTE: Earnings data are provided as baseline for comparison when newer data become available.

Source: County and City Data Book, 1988₁; Kansas Statistical Abstract, 1988-89₂; County Economic Vitality and Distress, 1990₆

- * Includes manufacturing, mining, and construction
- ** Includes retail trade, finance, insurance, real estate, services, and government.

- o On average, the Independence study area earnings are 56 percent service related, 31 percent goods related, and 13 percent farm related. See APPENDIX B for listing of local industries and work force information.

RANKING EMPLOYMENT BY INDUSTRY

	1st Ranked Employment Industry	2nd Ranked Employment Industry	3rd Ranked Employment Industry
Chautauqua	Farming* 21.7%	Service 21.6%	Mining 19.8%
Elk	Farming* 29.5%	Government** 25.3%	Mining 11%
Montgomery	Manufacturing 23.3%	Service 18.7%	Retail Trade 16.4%
Wilson	Manufacturing 23.3%	Government** 18%	Service 14.8%

Source: Regional Economic Information System, Bureau of Economic Analysis₁₅

- * Farming includes farm retail trade.
- ** Government = federal, civilian, military

- o Montgomery and Wilson Counties are more dependent on manufacturing and service while Chautauqua and Elk are more farming, service, government, and mining related.

- o Employment rates in Montgomery and Wilson Counties will be more sensitive to plant closures.

- o Manufacturing employees historically enjoy better, more consistent benefits to include health benefits.

COUNTY ECONOMIC DISTRESS RANKINGS

At the request of the Joint Economic Development Committee, Kansas Inc., a public-private partnership created by the 1986 Kansas Legislature, developed a rural action plan. The document, Rural Development Action Plan(August 1989, updated in September 1990) is an effort to evaluate economic status of rural Kansas and make policy recommendations to assess local economies. Rural economic distress is usually identified as population loss, employment loss, slow growth in per capita income and high unemployment. It is also measured through the attitudes of a county's population and its leadership. County leadership reaction to the loss of an employer and how the county overcomes it are strong indicators of a county's strength or weakness.

Although a consistent measurement of county growth or decline is difficult to construct, Kansas Inc. tried to provide a comprehensive view of a county's economic condition by analyzing seven indicators related to county wealth, growth, and dependent population. Concentrating on the weighted combined effect of the indicators, a score was calculated and all state counties were ranked for economic distress. A higher score indicated greater distress.

COUNTY ECONOMIC DISTRESS RANKINGS

<u>County</u>	<u>Kansas Inc. Score</u>	<u>State Rank</u>
Chautauqua	46.290	105
Elk	43.305	103
Wilson	43.275	102
Montgomery	37.775	93

Overall summary of the distress indicators demonstrated that the Southeast region of the state, which encompasses all the counties of interest, had a tremendous concentration of counties with very low per capita income, very high percentages of welfare/AFDC participants, and very low per capita property valuation. Chautauqua, Elk, and Wilson counties had the first, second, and third highest distress rank in the state. Montgomery was ranked as thirteenth highest in the state.

A comparison of Montgomery and Bourbon Counties, where Mercy Hospitals are both located, indicated that the following factors were responsible for greater economic distress in Montgomery County: 1988 per capita income in Montgomery County (\$12,687) was lower than Bourbon County (\$14,098) and 1990 Aid to Families with Dependent Children (AFDC) participation was higher in Montgomery County (9.1%) than Bourbon County (7.6%).

Not reflected in the above assessment are the more recent loss of jobs including:

- 50 ARCO families were transferred to Houston.
- Another 50 ARCO jobs were eliminated in restructuring.
- Southwestern Bell relocated 10 jobs to Wichita
- Additional reasons for concern include a recent announcement that the postal service will transfer 20 jobs to Fort Scott
- Phillips Petroleum Company in Bartlesville, Oklahoma (30 miles from Independence) has announced the elimination of 950 jobs.

Montgomery County plays a significant role in the economic stability of the four-county area. Not only are many of the residents of the four counties employed in Independence, many service needs which cannot be obtained elsewhere are met in Montgomery County.

Independence was founded on a strong work ethic with a desire to shape its own destiny.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

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

Testimony on S.B. 618
before the
Senate Committee on Assessment and Taxation
by
Patricia E. Baker
Associate Executive Director/General Counsel
Kansas Association of School Boards

March 4, 1992

Mr. Chairman, Committee members, I appreciate the opportunity to appear before you in support of Senate Bill 618. Over the last several years KASB has sought to bring attention to the effects on school finance of various tax exemption and abatement actions. As a result we have been accused of opposing economic development in Kansas. Nothing could be further from the truth. As the Kansas economy prospers, so do our public schools.

However, economic development in one area of the state or in one segment of the economy does not always have positive repercussions for the whole state when the tax burdens are simply shifted through the operation of the School District Equalization Act.

We have long maintained that the cost of operating our public schools should be shifted away from ad valorem property taxes. We hope that the legislature will seriously address that concern during this session. Until those shifts occur, we oppose continued exemptions and abatements for some which will be paid for by others. We recommend that you report Senate Bill 618 favorably for passage. Thank you.

SENATE ASSES & TAX
3.4.92
ATT. 3

Senate Assessment and Taxation Committee

March 4, 1992

Testimony of Bernie Koch
Wichita Area Chamber of Commerce
Senate Bill 618

Mr. Chairman, members of the committee, I'm Bernie Koch with the Wichita Area Chamber of Commerce, appearing on Senate Bill 618. Thank you for the opportunity to testify.

The argument seems to be that we in Sedgwick and other counties are abating away our wealth. We believe that we are using abatements as one of many tools to create wealth, wealth that we in Sedgwick County share with the rest of the state. That wealth has been used in the past and will be used in the future for the financing of all schools in Kansas, as well as other state functions.

In 1990, 48.4% of all state sales tax collected was in Sedgwick, Johnson, Shawnee and Wyandotte Counties.

In 1989, 56.2% of all Kansas individual income tax came from Sedgwick, Johnson, Shawnee and Wyandotte Counties. We contribute an awful lot to the state.

In Sedgwick County, we target our property tax abatements very carefully. The City of Wichita's policy on constitutional property tax abatements has been revised at least three times since the constitutional amendment went into effect. That policy makes it very difficult to receive a 100% abatement.

About 75% of the total constitutional abatements granted are not for real property. They are for machinery and equipment.

SENATE ASSES. & TAX
3-4-92
ATT. 4-1

The strategy is to encourage our manufacturers to invest in new technology, in machinery and equipment which will keep them competitive with the rest of the country and the rest of the world.

I don't think most Kansans, even those in our own area, appreciate how lucky we are to have this industry. In an era when U.S. auto manufacturers are laying off thousands of people, when Japanese government officials are criticizing U.S. workers as being non-productive, and when manufacturing jobs, jobs that produce wealth, are declining all across this country, we are bucking the trend.

Our rate of employment growth has increased each year since 1985. Manufacturing jobs are increasing. We sell airplanes to people all over the world. The Japanese have been unable to penetrate this market.

The point was brought home very dramatically last week. General Motors announced that it lost \$4.5 billion in 1991. GM is closing 12 plants and laying off 16,000 people. By 1995, the company will eliminate 74,000 jobs. Part of it is the recession, but another big part of it is that U.S. automakers did not invest in new technology and equipment while the Japanese did. They lost their share of the market.

We want to encourage our healthy Kansas manufacturers to keep their share of the worldwide market. One major way to do that is to offer incentives to stay on the cutting edge with their products. Property tax abatements are such an incentive.

One of the GM plants to be closed is in Ypsilanti, Michigan. Workers there thought they were safe, that the company would close The Arlington, Texas plant rather than the one in Michigan.

But the Arlington workers voted to give the company some concessions, and the state of Texas teamed up with the city of Arlington to give GM a tax abatement package of \$30 million. No similar incentive plan came from Michigan or Ypsilanti.

In your deliberations on this issue, please consider that we do not exist in a vacuum. Please look at the big picture. Other states in our region have the ability to provide 100% abatements, as well as other tools to attract new and expanding businesses.

Consider Oklahoma City. With a high unemployment rate, Oklahoma City is trying to attract aerospace industry. Tinker Air Force Base, with thousands of civilian workers, has a skilled work force familiar with aircraft. As the military downsizes, unemployment in the area is likely to go up. What does the state of Oklahoma have to offer?

- A good vocational training system administered by a separate state board.
- A corporate income tax rate of 6% compared to Kansas' top rate of 6.75%.
- A legislature with a history of enacting company specific incentives.
- The ability to make up to \$2 million in loans to one company.
- A sales tax exemption for machinery and equipment.
- A sales tax exemption for manufactured goods, such as aircraft, sold out of state.
- In lieu of ad valorem taxes, aircraft manufacturers only pay a registration fee of \$250 for each aircraft manufactured.

This is our competition for jobs, jobs that produce wealth.

I'm not saying that there are not abuses out there. If that's your concern, I would suggest an alternative approach.

Tighten up the law. Limit what abatements can be used for. Require at least a simple cost benefit analysis of each tax abatement and its effects on school funding. Have the company requesting the abatement pay for it.

Such a study can show the costs to education as well as the benefits generated by way of new sales taxes, income taxes and property taxes.

This is already being done in Kansas. An economic model constructed by K-U for Lawrence is being adapted to the Wichita area by Wichita State University. It requires estimates of what a new or expanding firm will cost schools, including the cost of new students. The cost per pupil in the school district, including the cost of capital outlay per pupil, is multiplied by the estimated number of new students brought to the community by the business asking for the abatement.

We want to know as accurately as possible the costs and benefits of abatements, and this model will give us very specific information. We are taking abatements very seriously.

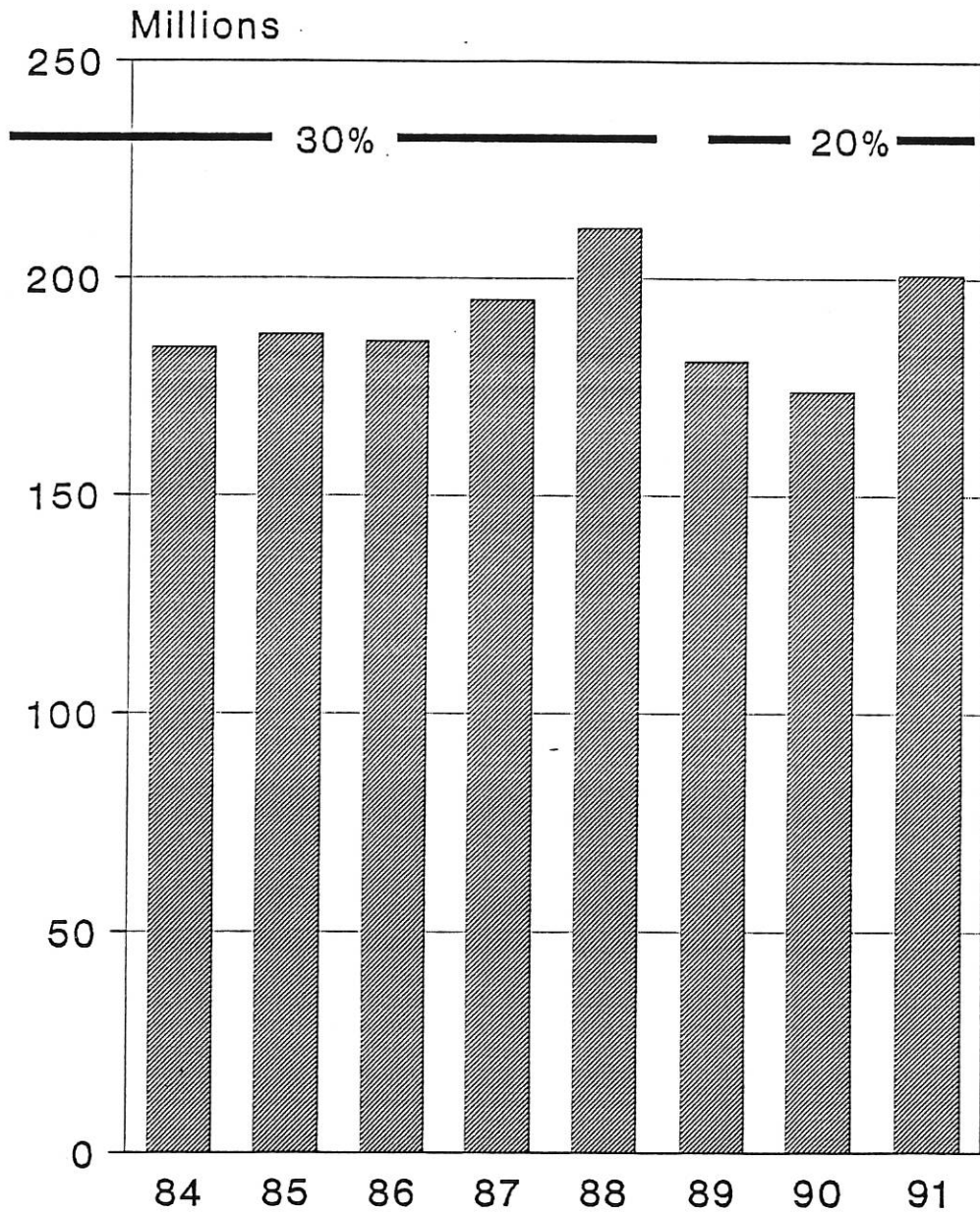
In closing, let me point out that you may be faced with a situation where a 100% abatement actually increases revenue to the state, revenue that can be used for the benefit of all Kansans, including school children. You may lose that revenue if local governments don't have the flexibility to grant a 100% abatement.

Thank you for the opportunity to testify.

TAX LIABILITY RANK OF EXISTING FIRMS BY INDIVIDUAL URBAN AREA TAXES BASED ON FIFTEEN SELECTED INDUSTRIES (1 = Lowest Tax Liability)

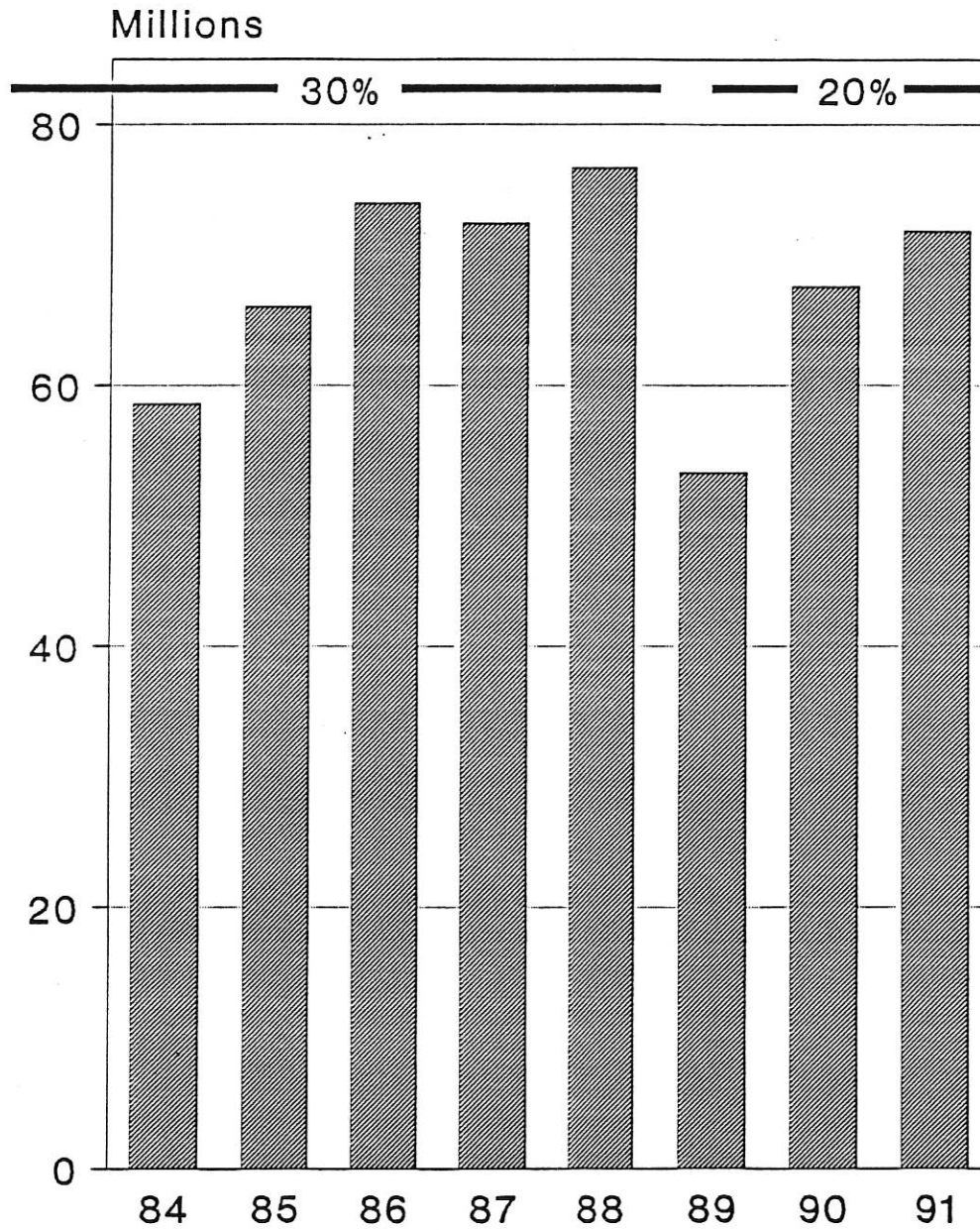
TULSA, OK	1
OKLAHOMA CITY, OK	2
DES MOINES, IA	3
KANSAS CITY, MO	4
DAVENPORT, IA	5
ST. LOUIS, MO	6
OMAHA, NE	7
DENVER, CO	8
JOHNSON COUNTY, KS	9
SEDGWICK COUNTY, KS	10
WYANDOTTE COUNTY, KS	11

ASSESSED VALUE MACHINERY & EQUIPMENT SEDGWICK COUNTY



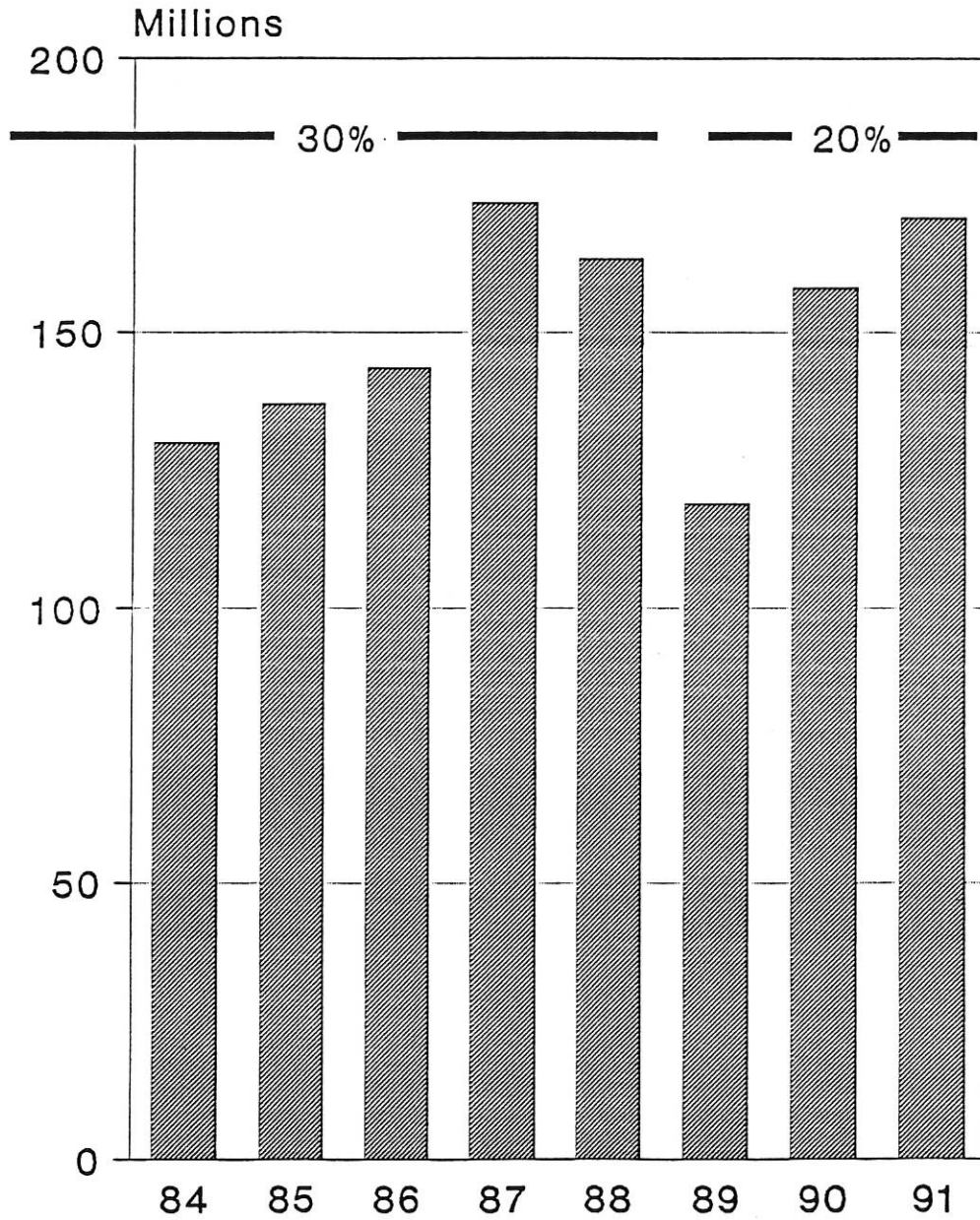
Source: Sedgwick County Clerk

ASSESSED VALUE MACHINERY & EQUIPMENT - WYANDOTTE COUNTY



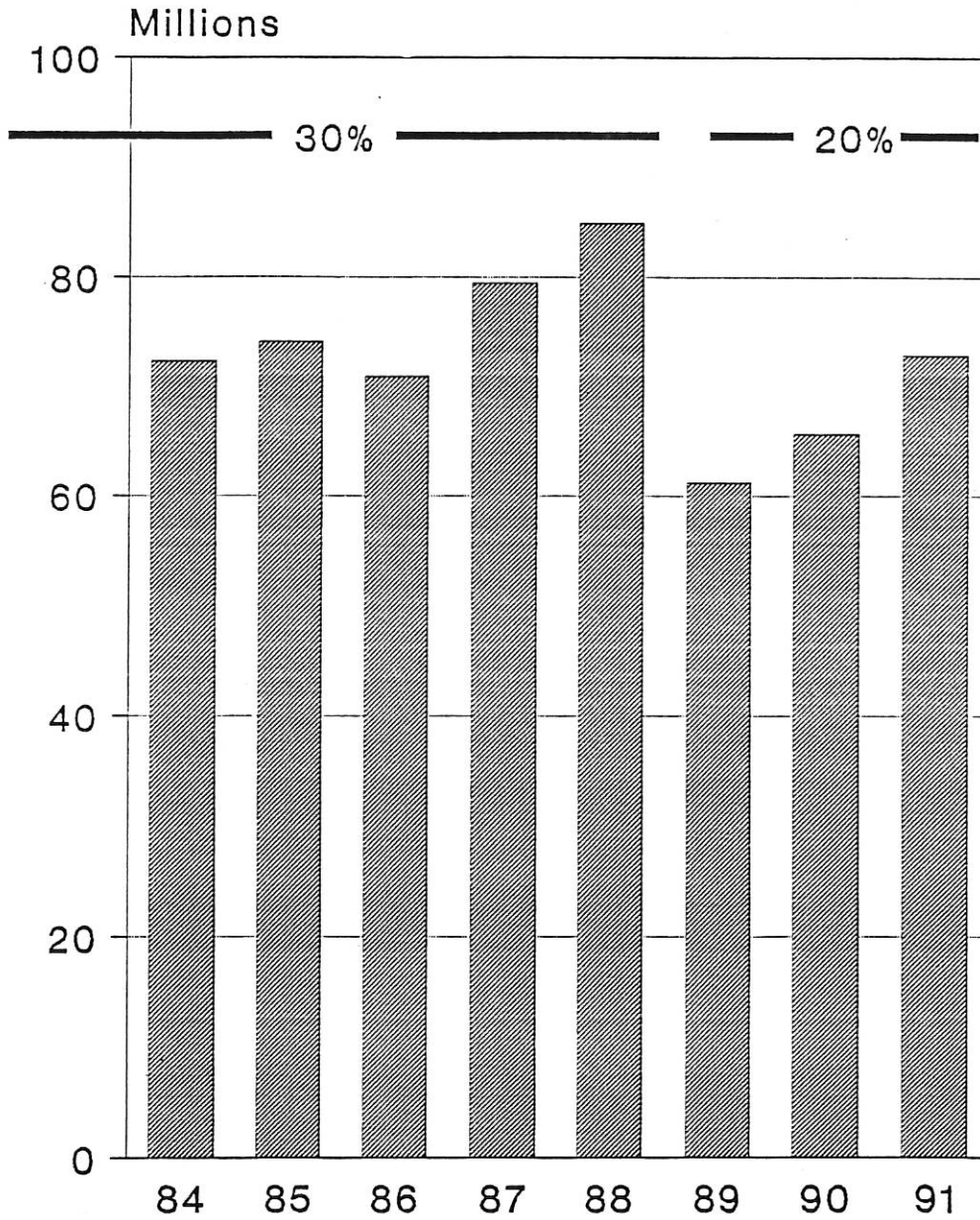
Source: Wyandotte County Clerk

ASSESSED VALUE MACHINERY & EQUIPMENT JOHNSON COUNTY



Source: Johnson County Clerk

ASSESSED VALUE MACHINERY & EQUIPMENT SHAWNEE COUNTY



Source: Shawnee County Clerk

ASSESSED VALUE OF COMMERCIAL MACHINERY AND EQUIPMENT PER COUNTY
1984-1991

Reno

1984	\$20,579,489
1985	\$19,544,531
1986	\$17,618,588
1987	\$19,730,665
1988	\$20,051,026
1989	\$14,689,867
1990	\$14,268,540
1991	\$14,699,673

Wyandotte

1984	\$ 58,573,685
1985	\$ 65,974,605
1986	\$ 73,969,190
1987	\$ 72,397,029
1988	\$ 76,677,786
1989	\$ 53,328,666
1990	\$ 67,532,666
1991	\$ 71,839,539

Harvey

1984	\$12,081,095
1985	\$ 8,545,905
1986	\$ NA
1987	\$ 7,558,200
1988	\$ 8,151,900
1989	\$ 6,932,946
1990	\$ 6,933,354
1991	\$7,460,328

Sedgwick

1984	\$183,930,207
1985	\$187,085,820
1986	\$185,445,528
1987	\$195,126,906
1988	\$211,576,704
1989	\$180,826,219
1990	\$173,948,298
1991	\$200,900,750

Shawnee

1984	\$72,262,570
1985	\$74,078,765
1986	\$70,880,075
1987	\$79,480,510
1988	\$84,894,630
1989	\$61,203,604
1990	\$65,600,498
1991	\$72,838,818

Johnson

1984	\$130,055,746
1985	\$137,063,805
1986	\$143,508,425
1987	\$173,575,780
1988	\$163,457,805
1989	\$118,900,057
1990	\$158,202,315
1991	\$170,891,812

FIGURE 1
KANSAS EARNINGS BY INDUSTRY, 1989
(PERCENT OF TOTAL EARNINGS)

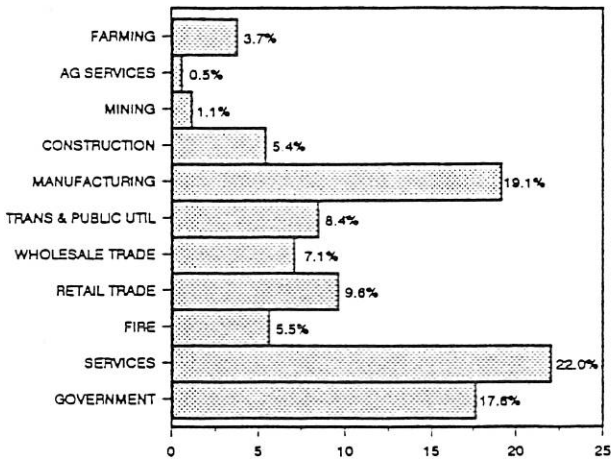


FIGURE 2

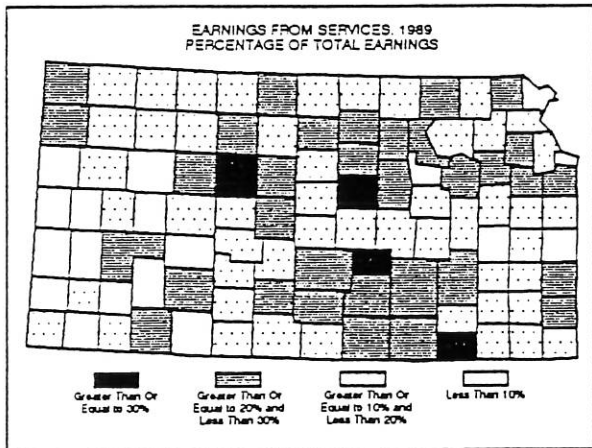


FIGURE 3

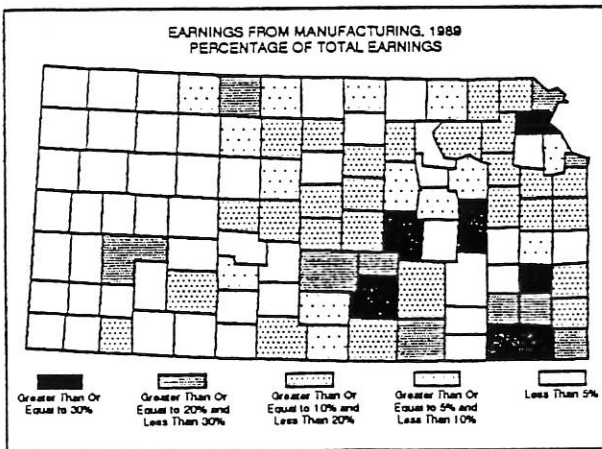


TABLE 1
EARNINGS BY PLACE OF WORK, 1989
IN THOUSANDS OF NOMINAL DOLLARS

	LEVEL	PERCENTAGE OF TOTAL	CUMULATIVE % OF TOTAL
Kansas	28,578,843	--	--
Sedgwick	6,085,399	21.3	21.3
Johnson	5,250,902	18.4	39.7
Shawnee	2,375,229	8.3	48.0
Wyandotte	2,239,864	7.8	55.8
Douglas	740,388	2.6	58.4
Reno	638,005	2.2	60.6
Saline	610,334	2.1	62.8
Leavenworth	592,894	2.1	64.8
Geary	527,527	1.8	66.7
Riley	443,454	1.6	68.2

TABLE 2
EARNINGS FROM SERVICES, 1989
IN THOUSANDS OF NOMINAL DOLLARS

	LEVEL	PERCENTAGE OF TOTAL	CUMULATIVE % OF TOTAL
Kansas	6,278,224	-	-
Johnson	1,459,999	23.3	23.3
Sedgwick	1,417,596	22.6	45.8
Shawnee	577,019	9.2	55.0
Wyandotte	370,633	5.9	60.9
Saline	190,583	3.0	64.0
Douglas	177,189	2.8	66.8
Reno	145,205	2.3	69.1
Riley	101,052	1.6	70.7
Cowley	98,325	1.6	72.3
Harvey	89,633	1.4	73.7

TABLE 3
EARNINGS FROM MANUFACTURING, 1989
IN THOUSANDS OF NOMINAL DOLLARS

	LEVEL	PERCENTAGE OF TOTAL	CUMULATIVE % OF TOTAL
Kansas	5,452,838	-	-
Sedgwick	2,075,974	38.1	38.1
Johnson	578,952	10.6	48.7
Wyandotte	577,167	10.6	59.3
Shawnee	302,889	5.6	64.8
Reno	148,604	2.7	67.6
Douglas	130,326	2.4	69.9
Saline	121,076	2.2	72.2
Montgomery	120,695	2.2	74.4
Lyon	117,985	2.2	76.5
Finney	97,383	1.8	78.3

CITY OF WICHITA

A POLICY FOR GRANTING AD VALOREM TAX ABATEMENTS AS AN INCENTIVE FOR BUSINESS DEVELOPMENT AND EXPANSION IN WICHITA, KANSAS

WHEREAS, Section 13 of Article 11 of the Kansas Constitution authorizes the governing body of any city to grant property tax exemptions for certain economic development purposes; and

WHEREAS, the Wichita City Council has determined that under certain circumstances the granting of property tax exemptions can be an effective economic development tool; and

WHEREAS, state statutes require that the governing body develop and adopt official policies and procedures prior to granting such exemptions; SO NOW, THEREFORE,

BE IT RESOLVED by the governing body of the City of Wichita, Kansas:

Section 1. Purpose. The purpose of these provisions is to establish the official policies and procedures of the City of Wichita for the granting of property tax exemptions for real and tangible personal property used for qualified economic development purposes under Section 13 of Article 11 of the Kansas Constitution.

Section 2. Authority and Discretion. The authority to grant tax exemptions within the City of Wichita is vested solely in the Wichita City Council. The Wichita City Council is under no obligation to approve any requested exemption and reserves the right to deviate from the policies and criteria contained herein if circumstances exist to warrant such deviation. Such circumstances may include, but not be limited to: (1) economic development projects which, due to their unusual nature or magnitude, offer extraordinary benefits to the community, and (2) projects which are essentially local in nature and do not enhance the local economy by importing new wealth into the community.

Section 3. Notice and Hearing. Prior to granting a tax exemption, a public hearing shall be held by the Wichita City Council. Notice of the public hearing shall be published at least once seven (7) days prior to the hearing and shall indicate the purpose, time and place thereof. The City Clerk shall also notify in writing the governing body of Sedgwick County and the appropriate unified school district, depending upon the location of the project.

Section 4. Criteria for Granting Exemption. Each application for property tax exemption shall be evaluated in accordance with the following criteria:

- A. Demonstration of Economic Benefit. The City Council may consider granting said tax exemption only upon clear and factual demonstration of direct economic benefit. The project shall create additional permanent full-time equivalent jobs, increase private capital investment in new plant and/or equipment and import new wealth into the community. To be eligible for a tax abatement, the applicant must export at least 50% of its product outside the state of Kansas.

05/28/91

4-12

- B. Preservation of Existing Tax Base. It is the intent of this policy to promote expansion of the tax base and ensure that the taxing districts having authority to levy taxes on the property affected will receive, in the future, not less than the amount received prior to granting the exemption except in situations where an existing building is vacant and is acquired by a new owner who otherwise qualified for an abatement.
- C. Eligible Businesses. In accordance with Article 11 of the Kansas Constitution, a tax exemption will be considered only for businesses engaged in the following activities:
1. Manufacturing articles of commerce as defined by the Standard Industrial Classification Manual which describes manufacturers as "establishments engaged in the mechanical or chemical transformation of materials or substances into new products;" or
 2. Conducting research and development relative to the manufacturing of a product; or
 3. Storing goods or commodities which are sold or traded in interstate commerce.
- D. Eligible Property. The City Council may exempt from ad valorem taxation all or any portion of the appraised valuation of:
1. All newly constructed buildings or additions to existing buildings used exclusively for eligible business activities which are necessary to facilitate the formation of a new business or expansion of an existing business if, as a result of such formation or expansion, new employment is created.
 2. All newly acquired or existing tangible personal property used exclusively for eligible business activities, except that no existing tangible personal property located in the state of Kansas may be granted an exemption unless said exemption is required, based on a factual determination, to retain jobs in the state of Kansas. Personal property not utilized in the production process such as office equipment, motor vehicles, tractors, fork-lifts, etc. shall be ineligible for exemption.

No exemption will be granted for the land upon which qualified buildings or building additions are located, existing buildings already built (unless such building has been vacant for a minimum of six months and is being acquired/occupied by a new tenant having no fiscal or legal relationship with the former occupant or property owner; or unless the new business is appreciably different than the old use and will create in excess of 50 new jobs), or any property rented or leased to outside interests by other than a not-for-profit local economic development corporation. No exemption will be granted for buildings or building additions for which a building permit has been applied or construction commenced before the date said exemption is granted. No exemption will be granted for any existing tangible personal property located in the City of Wichita nor any newly acquired tangible personal property ordered or purchased prior to the date said exemption is granted.

Section 5. Amount and Term.

- A. Incentive Exemption. An exemption will be given up to 50% based on the following scale regarding the amount of capital investment and number of new employees:
1. New Job Creation. A tax exemption may be granted for each additional new job (FTE) as follows: 3% for the first five new positions, 1½% for six to fifteen new jobs, and 1% for each new job in excess of 15. FTE jobs are defined as those full-time employees of more than 2,000 hours per year or part-time or temporary employees consolidated to obtain the full-time equivalent of 2,000 hours per year.
 2. Capital Investment. A tax exemption may be granted for each \$50,000 of investment as follows: between \$50,000 and \$500,000 - 1.0%; between \$500,000 and \$1 million - .75%; between \$1 million and \$2 million - 0.5%; above \$2 million - 0.25%.
 3. Location Premium. Businesses shall be encouraged to locate and/or expand within special redevelopment areas of the City. To foster such action, businesses may receive an additional premium equal to twenty percent (20%) for location into special redevelopment areas. The special redevelopment areas shall be designated by separate resolution of the City Council.
- B. Export Premium. An additional exemption up to 50% shall relate to the total sales volume exported outside the state of Kansas, either directly or indirectly through a customer who exports. For that export percentage of the total sales, the business may receive a premium of 1% exemption for each 2% of exported sales.
- C. Descending Scale. The calculated total tax exemption will be applied according to the following scale:

	<u>Real Property</u>	<u>Personal Property</u>
Years 1 thru 5 -	100%	100%
Years 6 thru 10 -	50%	0%

- D. Term of Exemption. No tax exemption shall be in effect for more than 10 years after the calendar year in which the business commences operations or completes an expansion. Any applicant receiving a tax exemption shall be required to make payments in lieu of taxes equal to the amount of property tax not exempted. Said payments shall be payable to the Sedgwick County Treasurer for distribution, under the provisions of K.S.A. 12-148, to the general fund of all taxing subdivisions, excluding the state, which levy taxes on property where the business is situated. This apportionment shall be based on the relative amount of taxes levied by each of the applicable taxing subdivisions. Any tax exemption granted shall not affect the liability of any special assessments levied or to be levied against such property. No tax exemption granted shall be continued if the business ceases operations or ceases to be engaged in eligible business activities.

Section 6. Preliminary Review. Prior to submittal of a formal application, a business may inquire as to eligibility for tax exemption and the anticipated amount based on preliminary employment and capital investment figures. The business shall complete a preapplication form and submit same to the City Manager's Office. City staff will review the information submitted and respond to the business regarding apparent eligibility and potential amount of tax exemption if granted. The response from City staff shall in no way represent definitive findings or be seen as an expression of intent or obligation of the City Council to favorably consider or approve a formal request for tax exemption. The preapplication form and staff response shall be deemed to be proprietary business information and shall be kept confidential.

Section 7. Formal Application.

- A. Filing Fee. An application for a tax exemption shall be accompanied by a filing fee of \$500 which shall be non-refundable after the application is considered by the Council, whether approved or disapproved. Said fee shall be used to defray expenses incurred in processing and evaluating the application. This fee may be adjusted annually to be consistent with the City's Cost Allocation Plan.
- B. Application Contents. The City will not consider the granting of any tax exemption unless the business submits a full and complete application and provides such additional information as may reasonably be requested. The application shall contain the following:
1. Name and address of business, principal owners and officers, contact person and telephone number.
 2. A general description of the nature of the business, business history and experience, and a list of principal competition in the local market. If the property is leased, a description of the lease arrangement and information sufficient to show that the lessor has a 51% or more ownership interest in the lessee, that the lessee has a 51% or more ownership interest in the lessor, or that the lessor is a qualified community based not-for-profit economic development corporation. A copy of the lease should be provided.
 3. Name and address of the owner of the land and building occupied or to be occupied by the business.
 4. A general description of the proposed building project or improvements, including estimated capital costs, plus the amount or percentage of tax exemption being requested.
 5. A site plan of the proposed building project or improvements.
 6. If an existing business, average total monthly employment figures for the past 12 months.
 7. Number of new jobs (FTE) to be created by type or position.

8. A statement describing the type of new jobs (FTE) and an estimate on wages/earnings of these jobs.
9. A statement explaining why the requested tax exemption is a critical factor in determining whether the proposed project is to be completed.

C. Review Procedures. Each application for tax exemption shall generally follow the following procedures:

1. The business submits a completed application and pays the required filing fee to the City Clerk.
2. The City Manager makes an analysis of the costs and benefits of such exemption and authorizes the placing of the application on the Council agenda.
3. The City Clerk publishes required notice of the hearing and sends written notice of the hearing to the Sedgwick County Commission and U.S.D. 259 or other appropriate unified school board, depending upon location of the project.
4. The City Council reviews the analysis of costs and benefits and receives comments from the applicant, affected taxing districts, and the general public. At the conclusion of the hearing, the City Council will take formal action on the application. Approval shall be in the form of an ordinance.
5. If approved, the business will file the initial exemption application with the County Appraiser after review by the City. The business will also be responsible for filing the annual claim for exemption as required by state statute. The annual claim must include a signed statement from the City Clerk that the property continues to meet the terms and conditions of the exemption. The business will be responsible for submitting any evidence or participating in any hearing before the Board of Tax Appeals relative to the exemption. As a condition of the grant of exemption, the business must keep the City informed of any administrative or judicial proceedings involving the exemption. The City has the right but not the obligation to participate in such proceedings.

D. Terms and Conditions. In granting a tax exemption, the City Council may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy.

Section 8. Completion Review. Each tax exemption granted shall be subject to a review of project completion. This review shall be for the purpose of determining if the economic benefits were achieved, if the percent and term of exemption remain valid, if the business is in compliance with any established terms or conditions. In the event the capital investment project has not been completed, the review status shall be considered to be in-progress and no tax exemption shall be granted. If the capital investment project is complete but

the employment goal has not been reached and hiring remains active, the applicant business may choose to be considered in-progress and receive no tax exemption or be considered partially complete and receive a one-time prorated tax exemption for the subject year. A project shall be considered complete if more than 18 months have elapsed since initial approval of the tax exemption ordinance.

- A. Filing Date and Fee. The application for completion review shall be filed on an annual basis no later than January 15 of each year until the project has been completed. The filing fee shall be \$500 for 75% to 100% exemption, \$250 for under 75% exemption and is non-refundable. There shall be no filing fee for an in-progress review.
- B. Business Information. The recipient business shall provide information pertaining to the number of full-time permanent jobs created as a result of the project, the actual wages/earnings paid on those full-time permanent jobs, the actual amount of capital invested in the project, the ongoing nature of business activities, a sworn affidavit signed by the owner of the business, and any other data as may reasonably be requested.
- C. Review Process. The City Manager will review the application for compliance with the original City Council approval criteria. If the project has been developed in accordance with the approval, the City Manager will issue a certification of compliance for the tax exemption. An exemption claim form filed by the property owner with the County Appraiser shall include a written statement, signed by the City Clerk, that the property meets all terms and conditions established as a condition of granting the exemption.
- D. Revocation. The City Council reserves the right to revoke a granted tax exemption due to submittal of a fraudulent application, failure to submit the completion review application and supporting information, failure to meet qualifying criteria, or failure to comply with established terms or conditions. Failure to produce the stated economic benefits will result in a reduction or loss of tax exemption.

Section 9. Monitoring Review. Following receipt of certification of compliance, each tax exemption granted shall be subject to an annual monitoring review of business status. This review shall be for the purpose of determining if the business continues to meet eligibility criteria and remains in compliance with any established terms or conditions.

- A. Filing Date and Fee. The application for monitoring review shall be filed on an annual basis no later than January 15 of each year for the term of the exemption. The filing fee shall be \$50 and is non-refundable.
- B. Business Information. The recipient business shall provide information pertaining to the ongoing nature of business activities, total monthly employment, the increase in full-time permanent employment as a result of the tax exemption, the amount of wages/earnings paid to those new full-time permanent employees, any change in majority ownership of the business and any other data as may reasonably be requested.

- C. Review Process. The City Manager will review the application and, unless ineligibility or noncompliance is evident, shall direct the City Clerk to issue a certificate of compliance. In the alternative, the City Manager shall submit a report to the City Council for their determination of compliance.
- D. Certification. If compliance is deemed to exist, the exemption claim form filed by the property owner with the County Appraiser shall include a written statement, signed by the City Clerk, that the property continues to meet all terms and conditions established as a condition of granting the exemption.
- E. Phase In. If the expansion is phased in over a period of years (up to three years), the exemption may be approved for that entire period of time. At the end of that period, should the applicant not have met all of the conditions stated in the application, a new exemption will be calculated based on the actual performance and applied retroactively to the entire three-year period and utilized to adjust the exemption percentage for the fourth year.
- F. Revocation. The City Council reserves the right to revoke a granted tax exemption due to submittal of a fraudulent application, failure to submit the monitoring review application and supporting information, failure to meet qualifying criteria, or failure to comply with established terms or conditions.

Section 10. Confidentiality. All applications and records pertaining to a formal tax exemption request shall be subject to the provisions of the Kansas Open Records Act.

Section 11. Amendments. The City Council reserves the right to amend, revoke, change or otherwise modify this policy from time to time to promote the best interests of the City of Wichita.

Section 12. Effective Date. This policy shall apply to all applications for tax exemption submitted on or after the date of adoption.

Adopted by the Wichita City Council and signed by the Mayor this _____ day of May 1991.



Kansas
Association
for
Small
Business

TESTIMONY BEFORE
SENATE ASSESSMENT AND TAXATION COMMITTEE

March 4, 1992

re: SB 618

Chairman Thiessen, members of the committee, I am Mary Ellen Conlee, representing the Kansas Association for Small Business. We are an organization of small manufacturing companies. Article 11, Sec. 13 tax abatements are a significant part of our economic development tax incentive package. These tax abatements are used by small manufacturing to reduce the cost of expansions. Larger business expansions, those over \$2 million dollars, can utilize IRB financing and its associated property tax exemptions if state allocations are available.

532 No. Broadway
Wichita, KS 67214
316 267-9984

Of the 230 economic development expansions listed in the September 11, 1991 Board of Tax Appeals report, only 28 were for more than \$2 million dollars each. In that same report the total value of the abated property tax from 1987 through 1991 equals \$323,555,899 or an average of about \$65 million per year. At least half of this value is machinery and equipment assessed at 20% of true market value, with the other half real property at 30%. The abated property represents about \$17 million per year in taxable assessed value. If the school mill levy portion of this value were not abated we would see about \$8 - \$10 million per year added to the state's \$14.6 billion in taxable property.

The small manufacturing companies in the Kansas Association for Small Business must invest in new machinery and equipment to remain on the approved supplier lists of the major aircraft manufacturers in Kansas and throughout the country. Work is bid nationally and often awarded based on small differences in price. Subcontract work does not automatically go to Kansas manufacturers. Our price must be competitive.

Bottomline: a strong tax incentive program like the one developed by this legislature in 1986 has helped our Kansas companies grow. We have jobs in Kansas while many other areas of the country are in severe economic decline. Please don't chip away at our competitive edge for \$8 - \$10 million dollars per year in assessed valuation.

Together
We Can
Make A
Difference.

SENATE ASSES. & TAX
3-4-92
ATT-5-1

Economic Development Exemptions by Docket Year
Board of Tax Appeals
September 11, 1991

YEAR	DOCKET NUMBER	CASE TYPE	TAXPAYER APPELLANT	COUNTY	VALUE	PPTY TYPE	CASE STATUS CODE	BOARD DECISION
1987	620	EDX	Kansas Avenue Properties	WY	2,500,000	R	16	D
	805	EDX	Ag Dynamic Systems, Inc.	SH	450,000	P	16	G
	975	EDX	Kansas Sunflowers Ltd	SH	450,000	R	16	G
	1,453	EDX	Cedrite Technologies, Inc.	WY	10,638,000	R	16	P
	2,809	EDX	Kroy Industries, Inc. & T-L Irrig.	GT	5,134,000	R	16	D
	3,762	EDX	Packer Plastics, Inc.	DG	1-	R	16	G
	4,037	EDX	Lifestyle Interiors, Inc.	HV	297,989	R	16	G
	4,224	EDX	Gott Corporation	CL	4,103,383	R	16	G
	5,030	EDX	Casco South, Inc.	CL	186,787	R	16	G
	5,075	EDX	Globe Engineering Company	SG	850,000	R	16	D
	5,076	EDX	Metal-Fab, Inc.	SG	703,230	R	16	D
	5,242	EDX	Woodtech Industries, Inc.	MG	235,000	R	16	G
	5,330	EDX	Williams Machine & Tool Co., Inc.	CK	104,000	R	16	G
	5,547	EDX	Mid-Central Manuf. Co., Inc.	SG	262,267	P	16	P
	5,551	EDX	Dupaco of Wichita	SG	192,605	R	16	G
	5,810	EDX	Art's Tater Chip Co., Inc.	HV	400,000	R	16	G
	5,947	EDX	Rigid Form, Inc.	MI	200,000	R	16	G
	TOTAL COUNT	17			26,707,260			
1988	620	EDX	Haas, John L.	WO	20,010	R	16	D
	945	EDX	Co-Nect-It Frame Corporation	SN	191,926	P	16	G
	1,126	EDX	Hi-Lo Mattress & Foam Mfg., Inc.	NO	39,608	P	16	G
	1,223	EDX	John Weitzel, Inc.	SG	616,038	R	16	G
	1,224	EDX	Casco, Inc.	SG	800,000	R	16	G
	1,225	EDX	Brittain Machine, Inc.	SG	1,191,851	P	16	G
	1,226	EDX	Weaver Manufacturing, Inc.	SG	240,610	P	16	P
	1,227	EDX	Intellect Systems, Inc.	SG	689,177	A	16	G
	1,323	EDX	Ksq Blowmolding-Eng. Manf. Inc.	CL	1,510,000	R	16	G
	1,340	EDX	Great Plains Rentals, Inc.	DK	800,000	R	16	G
	1,511	EDX	Gilliland Printing	CL	430,000	R	16	G
	2,269	EDX	Fleming Companies, Inc.	WY	2,643,294	P	16	D
	2,372	EDX	Constable-Hodgins Printing Co., Inc.	WY	1,532,944	P	16	G
	2,373	EDX	Constable-Hodgins Printing Co., Inc	WY	1,506,467	P	16	G
	2,406	EDX	Ottawa Truck Corporation	FR	341,436	R	16	G
	2,887	EDX	Sutter, Jack E.	GW	225,000	R	16	G
	3,592	EDX	Custom Woods Products, Inc.	PT	750,000	R	16	G
	3,622	EDX	Southwest Valve, Inc.	BU	300,000	R	16	G
	3,682	EDX	Excel Manufacturing, Inc.	SG	337,003	R	10	
	3,683	EDX	Youngers & Sons Manufacturing Co Inc	SG	231,250	R	16	G
	3,716	EDX	Western Foundry Company, Inc.	RC	460,000	R	16	G
	3,915	EDX	Cashco, Inc.	EW	449,079	P	16	G
	3,925	EDX	Wilde Tool Company, Inc.	BR	188,000	R	16	G
	4,040	EDX	Wilde Tool Company, Inc.	BR	188,000	R	16	G

note '1-' signifies a value that was not supplied by the applicant.

Economic Development Exemptions by Docket Year
 Board of Tax Appeals
 September 11, 1991

YEAR	DOCKET NUMBER	CASE TYPE	TAXPAYER APPELLANT	COUNTY	VALUE	PPTY TYPE	CASE STATUS CODE	BOARD DECISION
1988	4,242	EDX	Woodtech Industries, Inc.	MG	235,000	R	16	G
	4,269	EDX	New Birdview Corporation	NO	118,192	R	16	G
	4,387	EDX	Gott Corporation	CL	470,157	R	16	G
	4,747	EDX	N & W Packaging Systems, Inc.	LV	208,200	R	16	G
	4,869	EDX	Wiseda LTD	CK	84,000	R	16	G
	5,149	EDX	Teledyne Neosho	MG	1,173,636	R	16	G
	5,160	EDX	Keystone Railway Equipment Co.	MP	1,826,846	R	16	G
	5,181	EDX	Excel Manufacturing, Inc.	SG	337,003	R	10	
	5,365	EDX	Hancock Electric Motors, Inc.	RC	114,216	R	16	G
	5,963	EDX	Metro Park Warehouses, Inc.	WY	1,200,000	P	16	G
	6,293	EDX	Weitzel, John Inc.	SG	216,515	R	16	G
	TOTAL COUNT 35				21,665,458			
1989	530	EDX	Mid Continent Cabinetry, Inc.	HV	191,170	B	16	G
	793	EDX	John Weitzel, Inc.	HP	120,500	R	16	G
	956	EDX	John Morrell & Co.	CL	1,652,695	P	16	
	1,058	EDX	IMI Business Forms Corporation	LB	240,000	R	16	P
	1,230	EDX	Full Vision, Inc.	HV	241,065	R	16	G
	1,591	EDX	Fermenta Animal Health Company	DP	15,819,100	R	16	
	2,172	EDX	Diversified Services, Inc.	SU	260,000	A	16	G
	2,404	EDX	Gott Corporation	CL	1,945,777	P	16	G
	2,482	EDX	Air Capital Plating	SG	961,471	A	16	
	2,490	EDX	KMG Tool & Machine	SG	130,000	R	10	
	2,496	EDX	McGinty Machine Company, Inc.	SG	115,500	P	16	G
	2,679	EDX	Prime Investments, Inc.	WY	2,631,000	R	16	D
	2,702	EDX	Air Products and Chemicals, Inc.	SG	1,120,925	A	16	G
	2,734	EDX	Labconco Corporation	BB	891,000	A	16	G
	2,773	EDX	Wolfe Machine Inc.	SU	397,000	A	8	G
	2,775	EDX	Herrs Machine	WS	74,899	A	16	G
	2,870	EDX	White Cloud Grain Company, Inc.	BR	26,237	R	16	G
	3,172	EDX	Hi-Lo Table Mfg., Inc.	NO	159,565	R	16	G
	3,307	EDX	Quality Patterns, Inc.	MG	76,000	R	16	D
	3,537	EDX	Associated Company, Inc.	SG	660,000	R	16	G
	3,538	EDX	Mercury Printing, Inc.	SG	1,101,369	R	16	G
	3,727	EDX	Mid Continent Cabinetry, Inc.	HV	782,696	P	16	G
	3,757	EDX	Barton Solvents, Inc.	WY	1,826,000	R	16	G
	3,784	EDX	Dillard Department Stores, Inc.	JO	2,192,400	A	16	G
	3,824	EDX	Future Forms, Inc.	CR	9,285	R	16	G
	3,972	EDX	Unruh Fabricators, Inc.	SG	126,750	R	8	G
	4,227	EDX	Exxon Chemical Company	KM	179,750	P	16	G
	5,246	EDX	Energy & Environmental Systems, Inc.	LV	221,000	A	16	D
	5,308	EDX	Fleming Companies	WY	1,916,455	P	16	P
	5,516	EDX	Stultz Manufacturing Company	WY	750,006	A	16	G

note '1-' signifies a value that was not supplied by the applicant.

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Economic Development Exemptions by Docket Year
Board of Tax Appeals
September 11, 1991

YEAR	DOCKET NUMBER	CASE TYPE	TAXPAYER APPELLANT	COUNTY	VALUE	PPTY TYPE	CASE STATUS CODE	BOARD DECISION
1989	5,597	EDX	Continental American Corp. dba Pioneer	BU	8,018,370	A	16	
	5,782	EDX	Universal Products, Inc.	SG	843,497	A	8	D
	6,010	EDX	Parmelee Industries, Inc.	FR	547,450	A	16	
	6,114	EDX	Wall-Ties & Forms, Inc.	JO	837,532	B	8	D
	6,418	EDX	La Siesta Foods, Inc.	SN	1,389,297	A	16	G
	6,603	EDX	Texaco Refining and Marketing Inc.	BU	24,843,018	A	16	G
	6,985	EDX	Designer Products, Inc.	FR	166,425	A	16	P
	7,025	EDX	Pepsi-Cola General Bottlers, Inc.	JO	1,015,620	P	17	
	7,026	EDX	AFG Industries, Inc.	JO	46,291,000	A	16	G
	7,052	EDX	Central Steel Products, Inc.	SG	251,250	A	16	G
	7,428	EDX	Pyramid Manufacturing	PT	513,247	A	16	G
	7,429	EDX	Olsburg Apparel Company	PT	10,526	P	16	G
	7,636	EDX	KSQ Blowmolding Engineering & Mfg. Inc.	CL	756,819	A	16	G
	7,957	EDX	Custom Wood Products	PT	228,168	P	16	G
	8,052	EDX	Weaver Manufacturing, Inc.	SG	495,000	A	16	P
	8,331	EDX	Quality Patterns Inc.	MG	94,000	A	16	G
	8,603	EDX	Banks, John	BU	210,000	A	16	O
	8,604	EDX	Donahue Corporation (The)	MN	179,860	A	16	P
	8,810	EDX	Rudd, Leslie G./Standard Liquor Corp.	DG	2,352,556	A	9	P
	8,857	EDX	Barton Solvents, Inc.	WY	1,826,000	L	16	G
	9,042	EDX	UARCO, Inc.	DG	13,125,639	A	16	G
	9,047	EDX	Century Manufacturing	MP	220,801	A	16	G
	9,297	EDX	Kansas Plating, Inc.	SG	59,142	P	16	G
	9,300	EDX	Aero Metal Forms, Inc.	SG	67,143	R	10	O
	9,301	EDX	Leonard's Metal, Inc.	SG	419,000	P	16	G
	9,302	EDX	R & R Precision Machine Company, Inc.	SG	112,040	P	16	G
	9,424	EDX	Fort Scott Tent and Awning, Co., Inc.	BB	47,000	B	13	O
	10,179	EDX	Aero Machine Company, Inc.	SG	127,000	P	16	G
	10,324	EDX	Marion Die and Fixtures, Inc.	MN	491,606	B	16	G
	10,325	EDX	Marion Die and Fixtures, Inc.	MN	9,693	B	16	G
	10,326	EDX	Marion Die & Fixtures, Inc.	MN	36,730	B	16	G
	10,563	EDX	Gilliland Printing, Inc.	CL	287,571	P	16	G
	TOTAL COUNT				142,692,615			
1990	164	EDX	DINA	LB	325,180	A	5	D
	282	EDX	Midwest Mill Modernization, Inc.	GW	200,000	R	16	G
	294	EDX	Engineered Systems & Equipment, Inc.	MG	300,000	R	16	G
	359	EDX	Specialty Machine & Manufacturing, Inc.	BT	15,185	P	16	P
	672	EDX	Gressel Oil Field Service, Inc.	HV	60,000	R	8	D
	1,027	EDX	Mid Kansas Machine, Inc.	MP	307,500	A	16	G
	1,404	EDX	National Plastics Color, Inc.	SG	1,100,000	P	16	G
	2,392	EDX	North Central Kansas Industrial Dev. Inc	RP	1-	B	2	
	3,945	EDX	Circle D Corporation, Inc.	MN	31,441	A	16	G

note '1-' signifies a value that was not supplied by the applicant.

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Economic Development Exemptions by Docket Year
Board of Tax Appeals
September 11, 1991

YEAR	DOCKET NUMBER	CASE TYPE	TAXPAYER APPELLANT	COUNTY	VALUE	PPTY TYPE	CASE STATUS CODE	BOARD DECISION
1990	4,822	EDX	Brittain Machine, Inc.	SG	2,145,845	A	16	G
	5,425	EDX	Continental Extrusion Corporation	RN	383,065	B	16	D
	6,748	EDX	Pankratz, Paul & Sheryl dba Paul's Auto	MN	1-	B	8	D
	6,906	EDX	Allen Press, Inc.	DG	299,312	P	16	G
	6,917	EDX	Vinylplex, Inc.	CR	333,420	A	16	G
	6,921	EDX	Pitt-Plastics, Inc.	CR	1,033,084	A	16	P
	6,922	EDX	Superior Industries International, Inc.	CR	25,455,753	A	16	G
	7,103	EDX	McGinty Machine Company, Inc.	SG	925,000	P	16	G
	7,104	EDX	Kice Industries, Inc.	SG	46,305	P	16	G
	7,105	EDX	Gilliland Printing, Inc.	CL	419,950	P	16	G
	7,106	EDX	Marion Manufacturing, Inc.	MN	256,230	P	8	P
	7,107	EDX	Marion Manufacturing, Inc.	MN	314,729	P	9	G
	7,117	EDX	Marion Manufacturing, Inc.	MN	379,401	P	8	G
	7,119	EDX	Precision Machining, Inc.	SU	2,786,038	P	7	G
	7,120	EDX	RHS, Inc.	BR	137,640	B	16	P
	7,121	EDX	Flint Hills Foods, Inc.	PT	177,539	P	16	G
	7,122	EDX	Piaggio Aviation, Inc.	SG	14,981,000	P	16	G
	7,123	EDX	Keystone Railway Equipment Co.	MP	1,030,403	P	16	G
	7,126	EDX	K & F Distributors, Inc.	MN	49,287	A	16	G
	7,128	EDX	Mac Fasteners, Inc.	FR	64,300	A	16	D
	7,143	EDX	Peters, Emil dba Linn Post and Pipe	WS	32,525	A	16	G
	7,156	EDX	Linn Enterprises, Inc.	WS	70,368	B	16	G
	7,157	EDX	Alaniz & Sons, Inc.	EL	273,978	P	4	D
	7,158	EDX	Laich, Walter & Karin/Laich Industries	FR	4,899,128	P	16	G
	7,159	EDX	Larry Tucker, Inc.	EL	1-	P	16	D
	7,160	EDX	John Morrell & Co.	CL	3,246,607	P	16	O
	8,467	EDX	Yuasa/Exide Corp.	EL	167,755	B	16	G
	9,440	EDX	Stevenson & Associates, Inc.	WY	740,000	B	7	D
	9,441	EDX	Cargill, Incorporated/Salt Division	RN	3,860,000	A	16	O
	9,535	EDX	Femco, Inc.	MP	375,000	R	16	P
	9,542	EDX	Fort Scott Tent and Awning, Co., Inc.	BB	47,000	B	16	G
	11,731	EDX	Thermal Ceramics, Inc.	LY	756,633	A	16	G
	12,218	EDX	James Farms, Inc/Anderson Erickson Dairy	WY	749,000	B	8	D
	12,220	EDX	Maric Packaging Corporation	CR	475,000	A	8	G
	12,223	EDX	Ring, Richard L.	PR	465,950	R	16	D
	13,819	EDX	Youngers and Sons Mfg. Co., Inc.	SG	412,529	A	13	
	13,854	EDX	KMG Tool & Machine	SG	150,000	P	2	
	14,267	EDX	Garage Door Group, Inc.	DG	1,466,085	P	8	G
	14,268	EDX	American Packaging Corporation	RN	309,500	A	8	G
	14,566	EDX	Seymour, Inc.	SN	0	A	7	
	14,568	EDX	Kragnes, Allan G. dba Vinyl Therm of Ks	MI	1-	A	8	O
	14,573	EDX	Goodland Economic Development Corp.	SH	1-	A	8	O
	14,576	EDX	Nord III, Inc.	WY	2,431,675	A	16	G
	15,383	EDX	Metal-Fab, Inc.	SG	0	R	16	
	15,385	EDX	Freeman, Rick A. & Jeanne M.	JW	85,000	B	8	G

note '1-' signifies a value that was not supplied by the applicant.

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Economic Development Exemptions by Docket Year
Board of Tax Appeals
September 11, 1991

5-6

YEAR	DOCKET NUMBER	CASE TYPE	TAXPAYER APPELLANT	COUNTY	VALUE	PPTY TYPE	CASE STATUS CODE	BOARD DECISION
1990	15,524	EDX	Toby's Chemical Co., Inc.	CD	46,000	R	16	D
	16,046	EDX	Globe Engineering Company, Inc.	SG	717,600	R	16	D
	16,049	EDX	Globe Engineering Company, Inc.	SG	600,000	P	16	G
	16,515	EDX	Topeka Foundry & Iron Works Co. (The)	SN	1,144,131	R	16	G
	17,004	EDX	10th Street Properties	WY	933,257	B	8	G
	17,306	EDX	Kan-Am Industries, Inc.	MC	117,500	R	16	G
	18,154	EDX	APICO Corporation of Girard	CR	865,036	A	16	P
	18,358	EDX	Pioneer Balloon Company	BU	4,368,370	P	2	
	18,472	EDX	Cardwell International Limited	BU	451,900	A	7	
	18,539	EDX	Cargill, Incorporated/Salt Division	RN	3,860,000	A	16	G
	18,551	EDX	GEC Precision Corporation	SU	865,297	P	8	G
	18,672	EDX	City of Mound Valley	LB	47,398	B	8	G
	18,709	EDX	Williams Machine & Tool Co., Inc.	CK	570,843	R	10	
	18,710	EDX	City of Parsons/Peabody Tec Tank	LB	317,355	R	16	G
	18,711	EDX	Mac Diesel Power, Inc.	MP	28,935	P	8	G
	18,712	EDX	Exxon Chemical Co.	KM	211,900	R	7	
	20,175	EDX	Taylor Forge Engineered Systems, Inc.	MI	537,600	P	9	
	20,220	EDX	Ellis County Economic Development Corp.	EL	0	A	2	
	TOTAL COUNT 72				90,254,457			
1991	4	EDX	Youngers & Sons Manufacturing Co., Inc.	SG	412,529	A	8	G
	5	EDX	Youngers & Sons Manufacturing Co., Inc.	SG	370,084	P	8	G
	6	EDX	Youngers & Sons Manufacturing Co., Inc.	SG	402,575	A	8	G
	7	EDX	Aero Machine Company, Inc.	SG	149,738	P	8	G
	8	EDX	Aero Machine Company, Inc.	SG	202,095	P	8	G
	9	EDX	Dyke Machine Works	RP	156,000	A	2	
	22	EDX	Mercury Printing, Inc.	SG	902,520	P	8	P
	23	EDX	LCM Turbo, Inc.	MP	500,000	A	8	G
	41	EDX	Plains Plastics, Inc.	MP	1,350,000	R	8	G
	42	EDX	First Kansas Venture, Inc.	GE	174,926	B	8	D
	46	EDX	Monsour's, Inc.	CR	1,130,000	R	9	G
	97	EDX	Blaylock Diesel Service, Inc.	CK	65,000	R	8	G
	223	EDX	Yuasa-Exide Battery Corporation	EL	133,940	P	8	G
	241	EDX	Extru-Tech, Inc.	BR	43,077	A	8	D
	242	EDX	Star-Tech, Inc.	BR	58,660	B	8	G
	286	EDX	Plains Plastic, Inc.	MP	680,000	P	2	
	684	EDX	Custom Cupboards, Inc.	SG	64,000	R	8	P
	685	EDX	Graphics Systems, Inc.	SG	400,000	R	8	P
	687	EDX	R & R Precision Machine Company, Inc.	SG	103,000	P	8	G
	690	EDX	Milling Precision Tool, Inc.	SG	149,000	P	8	G
	695	EDX	Aero Metal Forms, Inc.	SG	60,000	P	8	O
	698	EDX	Aero Metal Forms, Inc.	SG	99,000	P	8	
	743	EDX	Airtex Inc.	JO	1,625,547	A	10	

note '1-' signifies a value that was not supplied by the applicant.

Economic Development Exemptions by Docket Year
Board of Tax Appeals
September 11, 1991

5-7

YEAR	DOCKET NUMBER	CASE TYPE	TAXPAYER APPELLANT	COUNTY	VALUE	PPTY TYPE	CASE STATUS CODE	BOARD DECISION
1991	999	EDX	Allen Press, Inc.	DG	2,062,196	P	8	G
	1,398	EDX	M.A.A. Corp. dba Mid America Aerospace	FR	1,776,193	A	16	G
	2,858	EDX	Glendo Corporation	LY	420,187	A	10	
	2,863	EDX	Kice Industries, Inc.	SG	382,674	A	8	G
	2,971	EDX	Vektec Inc.	LY	171,503	R	2	
	3,303	EDX	Mid-Cont. Indust., Inc/Cont. Agra Grain	HV	119,200	B	8	G
	3,517	EDX	Honorbuilt Industries, Inc.	OT	765,000	A	10	
	4,230	EDX	E and E Specialties, Inc.	DG	946,630	P	2	
	4,379	EDX	Ohse Foods, Inc.	SG	2,628,624	R	10	
	5,105	EDX	Philips Lighting Company	SA	3,082,000	R	2	
	5,147	EDX	Kansas Plating, Inc.	SG	220,940	R	9	
	5,912	EDX	Calibrated Forms, Company	CK	802,177	P	10	
	5,913	EDX	Bay-Mor Pet Feeds	DK	145,000	R	10	
	6,136	EDX	Mid-Central Manufacturing, Inc.	SG	380,000	P	2	
	6,137	EDX	Mid Central Manufacturing Company, Inc.	SG	112,765	P	2	
	6,138	EDX	Exxon Chemical Company	KM	3,615,119	A	7	
	6,306	EDX	Coopers Animal Health Inc.	WY	830,000	R	10	
	6,983	EDX	Ray Products, Inc.	LB	94,920	R	10	
	7,172	EDX	Hi-Lo Table Mfg., Inc.	NO	64,652	P	10	
	8,505	EDX	UARCO, Incorporated	DG	14,384,638	A	10	
	8,786	EDX	Hancock Electric Motor, Inc.	RC	0	A	2	
	TOTAL COUNT	44			42,236,109			
	FINAL TOTALS							
	TOTAL COUNT	230			323,555,899			

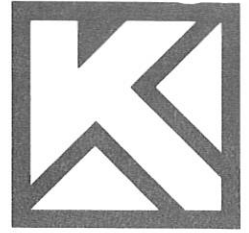
*** END OF REPORT ***

***note** '1-' signifies a value that was not supplied by the applicant.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

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



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

SB 618

March 4, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY
Testimony Before the
Senate Committee on Assessment and Taxation
by
Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express our members' opposition to the proposal specified in SB 618 regarding tax abatements for economic development.

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

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

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

We believe that the current abatement authority allowed by Kansas' Constitution is an essential tool for attracting jobs and increased tax revenue for this state and its subdivisions. Kansas must compete for economic growth with all other states which now

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authorize school ad valorem tax abatements. SB 618 would eliminate this tool from our competitive options.

There is a basic analysis which local officials should conduct whenever development issues come before them: will a given abatement proposal generate more money for this community than it will cost?

Not all local government expenditures can, nor should, satisfy this type of test. However, economic development initiatives can and should pass this sort of a short term or long term cost/benefit analysis. Otherwise, they should not be undertaken.

These are local decisions which should not be dictated by the legislature. Our constitution now leaves the abatement policy option where it appropriately belongs...at the local government level.

The constitutional amendment which authorizes these abatements was proposed and adopted when the federal government eliminated the income tax exempt status of industrial revenue bonds. The legislature was concerned that the elimination of the tax exempt status of the bonds would make them unattractive to prospective companies. This would have left Kansas with no other authority to offer property tax incentives to compete with states like Oklahoma and Missouri.

Statewide calculations suggest that local officials have not abused this option. Roughly \$10 million in tax revenue is forfeited from property which has been abated under the constitution's economic development provision since 1986. Lost school district revenues would only be a portion of this amount. Furthermore, many abated businesses make payments to school districts "in lieu of" such property taxes.

When you compare the "cost" of school tax abatements to the \$950 million in property tax revenue now collected by USDs, it is clear that the revenue "advantage" of SB 618 would be minimal.

Consequently, KCCI urges you to reject this proposal and reaffirm the policy which two-thirds of the House and Senate, and a majority of the voting Kansas public, has already endorsed.

Thank you for considering our views.