

Approved: _____

Phill Kline
Date _____

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on February 10, 1995 in Room 519-S of the Capitol.

All members were present except: Rep. Doug Mays - excused

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee: Rep. John Ballou
Bernie Koch, Wichita Chamber of Commerce
Bob Corkins, Kansas Chamber of Commerce & Industry
Charles Warren, Kansas, Inc.

Others attending: See attached list

Chair referred to the historic event that would happen in the House session this morning when seating of a representative will be determined by lot. He commended Rep. Shriver for his courage and statesmanship during the three months of deliberations in determining the outcome of the November election tie with Danny Jones, who has also shown much courage and fortitude in this matter.

Chair introduced Secretary of Revenue John LaFaver, to speak briefly on the Kansas Tax 2000 Project which relates to **HB 2417**. Secretary LaFaver noted he has interviewed two vendors on providing some of the expertise required to perform this technological task. Chairman Kline asked for the Secretary's commitment to hold off on letting any vendor contract until the Taxation Committee has an opportunity to work **HB 2417**. Kline noted the committee will be cognizant of the concern of the Secretary to bring the committee up to speed so the bill can be addressed. Secretary LaFaver indicated his assent to Chm. Kline's request. (Attachment 1)

Chair opened hearing on:

HB 2007 - Property taxation, limitation upon exemptions, school district levies.

Proponent

Rep. John Ballou (Attachment 2)

Written testimony from Jacque Oakes, School for Quality Education (Attachment 3)

Opponents:

Bob Corkins, Kansas Chamber of Commerce & Industry (Attachment 4)

Bernie Koch, Wichita Chamber of Commerce (Attachment 5)

Charles Warren, Kansas, Inc. (Attachment 6)

Opponents not heard but testimony attached:

Alan Cobb, Kansas Association of Small Business (Attachment 7)

Christy Young, Greater Topeka Chamber of Commerce (Attachment 8)

Written testimony only from opponents:

Steve Goodhue, president, Olathe Chamber of Commerce (Attachment 9)

Donald Seifert, City of Olathe (Attachment 10)

John Showronski, The BOC Group, New Jersey (Attachment 11)

Chris McKenzie, League of Kansas Municipalities (Attachment 12)

Questions were asked of the proponent and opponents who presented testimony, but due to the lack of time for the additional groups who were to testify, the hearing on HB 2007 will be continued at a later date and those yet to testify will be notified of the date.

Adjournment.

The next meeting is scheduled for February 13, 1995.

TAXATION COMMITTEE GUEST LIST

DATE: Feb. 10

NAME	REPRESENTING
Charles Warren	Kansas Inc
MARK BORGULLINA	KDOCKH
Harry Heringer	League of KS municipalities
Christy Young	Topeka Chamber of Commerce
John Peters	Raytheon Aircraft Co
BEV BRADLEY	KS Assoc of Counties
BILL FARRELL	BOEING
Bernie Koch	Wichita Chamber
ALAN COBB	KS Assoc. For Small Business
Jamie Clover Adams	KS Fert & Chem. Assn
GRANT GARDNER	L.E. GARDNER, INC. APPRAISER
Jenny Lyons	Overland Park Chamber
Mark	DOT
MARK CARDULLO	
MATTHEW MARTIN	KAR

STATE OF KANSAS

John LaFaver, Secretary of Revenue
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1588



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Department of Revenue
Office of the Secretary

MEMORANDUM

TO: Phill Kline, Chairperson
House Taxation Committee

FROM: John LaFaver, Secretary
Department of Revenue

DATE: February 10, 1995

RE: House Bill 2417

The attached is a background paper on the Department of Revenue, Kansas Tax 2000 Project. If you require additional information, please let me know.

KANSAS TAX 2000 PROJECT

K.S.A. 1994 Supp. 75-5147 authorized the Department of Revenue to pursue the development and purchase of automated tax systems and to pay for the systems including computer hardware and software from the increased revenues collected and attributable to such systems.

Background

In spring 1992, the Department took a holistic approach to assessing our needs. We developed the "AS IS" for external forces as well as organization, processes and technology. Employing best practices and guiding principles we identified the "COULD BE" for strategy, process, organization and technology.

In the fall of 1993, we completed the request for information (RFI) process. Each (three) interested vendor spent one week in the Department and then responded with information. We learned about and compared different approaches to both reengineering and tax systems. Through the RFI process and other initiatives, the Department educated itself about reengineering methods and approaches, new technologies, the importance of organizational structure, change management and training as aspects of the project and the commitments the Department must make for a successful reengineering effort.

In spring 1994, the Kansas Tax 2000 project was organized through Administrative Directive # 90. This directive established a project management group. The first task of this group was to issue a request for proposal (RFP). This task was completed in August and responses were received from two vendors in September. The responses are being evaluated.

The evaluation process has included a review and comparison of the proposals, site visits to six locations and face-to-face conversations with over 10 clients of the vendors. Oral presentations of the proposals by the vendors have been completed. Formal negotiations will begin in late January 1995. Negotiations and contract

development for similar projects have taken two to six months in other states.

Key Milestones Met August 12, 1994 to February 7, 1995

- August 12 Request for Proposal #30577 was issued to over forty prospective vendors.
- August 24 & 25 Completed tours of tax operations for prospective vendors.
- September 1 Returned pre-bid questions with answers to all prospective vendors.
- September 19 Received two proposals and several no responses from prospective vendors.
- September 20 to October 28 Reviewed proposals and completed preliminary evaluations.
- November 1 to November 15 Completed reference site visits of vendor engagements. We completed face to face visits with eight different taxing jurisdictions and one private company.
- November 16 to December 13 Continued review and evaluation of proposals and site visit information.
- December 14, 16, 19, & 20 Oral presentations of proposals by vendors.
- February 6 & 7

Future Plans

- March 1995 Begin negotiations with vendors and receive best and final offer. Project start-up is estimated to occur two to four months after negotiations begin.

Scope of Kansas Tax 2000

The scope of the Kansas Tax 2000 project includes the refinement of our strategic business planning process, reengineering of our core business processes and realignment of the organization jobs and structure for tax administration in conjunction with the implementation of state-of-the-art technology.

Department management, through the development of a business integration assessment and a strategic business plan, have identified the following expected outcomes for Kansas Tax 2000.

- The Department will administer and enforce all tax statutes, regulations and policies.
- Planning at all levels of the organization will provide cohesive and coordinated direction for the future.
- Performance measures will be integrated throughout business processes.
- Supplier/Customer requirements will be fulfilled by the business processes.
- The culture will be based on trust, empowerment, open communication, principle-centered leadership, team-work, decision making, skill development, self-motivation, high performance and continuous improvement.
- The system will ensure quality data management which is demonstrated by these attributes:
 - accurate
 - timely
 - on-line, real time
 - easy access by users
 - intelligent, knowledgeable worker support systems
- Electronic processing will be the internal business process.
- External customers will be provided the methods to supply data and funds electronically.

The approach for this five to seven year project is to implement in stages by breaking the project down into smaller, more manageable parts. The first stage of the project will include updating the

Department's strategic business plan, developing a strategic information technology plan, performing business process reengineering, developing a change plan, identifying alternatives and defining a general systems design. This phase is expected to take nine to 12 months.

The vendor is also expected to implement several mini-projects, termed **quick hits**, for the purpose of generating increased revenues for funding of the project. These initiatives must be consistent with the objectives of the Department and are expected to be implemented during the early months of the project.

The **second stage** of the project will consist of detail design for all business operations and implementation of at least one model tax type. The tasks associated with this stage of the project, in addition to the development of the automated tax system, include business process design; organizational design and development and job design; communication processes; physical infrastructure development; training curriculum and course development, data conversion and testing processes and computer hardware and software assessment and procurement. This phase is the largest and is expected to take 18 to 24 months.

The **third stage** of the project will consist of implementing the business processes, organizational structure and technology for all agreed upon tax types and post implementation support. This will be a planned, iterative process in which taxes will be implemented in a phased approach over an agreed time frame. This phase is expected to take 18 to 24 months and will be followed by 12 to 24 months of post implementation support.

All phases will follow a proven methodology for strategic planning, change management, business process reengineering and systems development and implementation. An experienced electronic data processing (EDP) auditor has been assigned to the project to ensure the required security and audit controls are built into the system.

The Kansas Tax 2000 project could have an affect on the state's computer systems. The magnitude of potential changes are not known at this time as the technical platform or processing environment has yet to be defined. The Department, with the assistance of the Department of Administration's Division of Information Systems and Communications (DISC) will be closely

tracking and monitoring project activities. DISC representatives have been and will be working with the Department throughout the project.

Critical Success Factors

There are many factors that contribute to the success of a large scale project. One of the most important factors to ensure success of the Kansas Tax 2000 project is to have complete executive management support and commitment. Other critical success factors include maintaining a shared vision of the project outcomes, focusing on the customer needs and achieving quality results, taking a holistic approach to the project, incorporating effective change management and having a well-structured project management approach with integrated tools and techniques, and with necessary amounts of education and training. The project will be successful if the Department and the contractor use a partnership approach to managing the project. This means a seamless team using open communication and ensuring the project meets the strategic goals of both organizations.

Benefits of Kansas Tax 2000

This project is an opportunity for the Department to modernize tax administration and provide a foundation which can be built upon for years to come. This project achieves all of the strategic objectives established in the Strategic Business Plan. Some of the technology the Department is considering includes using workstations to provide desktop computing and graphical user interface in a client-server environment. We want to employ digitized imaging of tax documents for data capture and document storage and retrieval. We want to use electronic exchange of data and funds as much as possible. These technology features, along with streamlined processes and intensive employee training, will empower the worker on the front lines to serve the taxpayers at the point of contact.

Re-deployment will take workers whose jobs were automated and re-train them in revenue producing jobs, such as new enforcement programs which match outside information with registered taxpayers. Those not registered with the Department would be contacted and brought into compliance using a service-oriented

approach. Other programs like matching will be used to increase revenues by enforcing existing statutes.

The financing structure provides an opportunity for the Department to enter into a relationship with a vendor as a business partner. The majority of the risk is born by the contractor. **If the increased revenues do not accrue and the contractor does not meet performance benchmarks, the contractor does not get paid.** This incentive ensures that sound decisions will be made, that the services delivered by the vendor will be top quality and that vendor commitment will remain high throughout the entire project including post implementation support.

The revenue benefits to the state general fund are projected to be in excess of \$100 million over the life of the project.

This project will employ a detailed accounting system. We will use a cost/benefit decision-making process. All additional revenues attributable to the project will be tracked by tax type, taxpayer and specific transaction. We have contracted with an independent economist to issue opinions on the revenue tracking model. The legislation specifies that payment will be authorized only after joint consensus of increased revenues has been reached by the Directors of Legislative Research and Budget.

Kansas Tax 2000 project will allow for ease of maintenance and flexibility to respond to legislative changes. Our current systems cannot be maintained or modified to incorporate legislative changes in a timely manner.

By taking a holistic approach, technology will be applied where it makes sense to automate functions, the taxpayers' requirements will be met, and the work force will be retrained to provide service to taxpayers.

Our goal is to provide a less intrusive government by giving taxpayers what they need up front to comply with the tax laws and increase revenues significantly by encouraging voluntary compliance.

JOHN BALLOU
REPRESENTATIVE, FORTY-THIRD DISTRICT
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GARDNER, KANSAS 66030
(913) 856-6355

OFFICE ADDRESS: STATE CAPITOL, SUITE 155-E
TOPEKA, KANSAS 66612-1504
(913) 296-7683



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
AGRICULTURE
EDUCATION
FEDERAL AND STATE AFFAIRS

February 10, 1995

Thank you Mr. Chairman and members of the Taxation Committee.

I stand here before you today to ask your support of HB-2007.

My reasons for having this bill drafted is to require all property owners in the state, whether they be homeowners or business owners, pay their fair share of taxes to the school district of the state and help educate the children of Kansas.

As you are all aware, it was mandated by the State Legislature in 1991 that all property owners of Kansas would now pay an equal state-wide mill levy to finance all the schools across the state.

The problem is two counties in Kansas have grossly abused the tax abatement system which was set up to help attract new business to the community to help spread the tax burden and bring in added new revenues.

However, two counties have been granting 100% tax abatement. The problem is when other counties are responsible and do not give out 100% tax abatement, it makes it harder to compete for those businesses and jobs but we also pick up the tab on the state school mill levy which straddles the rest of taxpayers with even a greater tax burden.

It's time that these two counties, which have a combined property value of abated taxes of 1 Billion Dollars, to pay their fair share. It's their responsibility to help educate the children of the state of Kansas.

Representative John Ballou
43rd District

A handwritten signature in cursive script that reads "John Ballou". The signature is written in dark ink and is positioned below the printed name and district information.

House Taxation
2-10-95
Attachment 2-1



Economic Development

February 10, 1995

Representative John Ballou
State Capitol
155-E
Topeka, KS 66612

Dear Representative Ballou:

The Lenexa Chamber of Commerce is supportive of the HB 2007, which would eliminate the exemption of school tax levy for Economic Development. We believe that each Community should have the right to determine their own destiny and establish their own policy on tax abatements. The unfair part is allowing a community to exempt taxes for their benefit and pass the cost to communities throughout the whole State. This is especially true when a business is moved from one Kansas Community to another and the Community losing the business must underwrite the incentive.

Economic Development is a competitive business and vital to the future of the State of Kansas. At issue here is not the importance of the the incentive, but the fairness of local officials making decisions that affect the whole State. These local officials are not accountable to the people, in Lenexa, who are impacted and we believe that is not right.

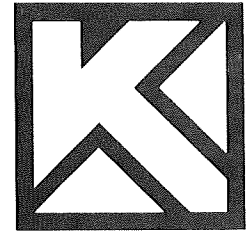
Sincerely,

A handwritten signature in black ink that reads "Tom Riederer". The signature is written in a cursive style with a long horizontal stroke extending to the left.

Tom Riederer, CED
President

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LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

HB 2007

February 10, 1995

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by
Bob Corkins
Director of Taxation

Honorable Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I appreciate the opportunity to express our members' opposition to HB 2007 and its plan to preclude the abatement of school district property taxes.

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.

Many of you are aware that this is not a new concept before the legislature. Considerable attention has been devoted to the idea since the 1992 school finance act gave abatements a more statewide profile. Consequently, the 1994 legislature addressed the subject by enacting safeguards which require local officials to perform a more sophisticated analysis before making property tax

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Attachment 4-1

decisions of this sort. KCCI supported those reforms of last year, and I will not elaborate further on those measures which are more fully explained today by other conferees.

I'll condense our rationale for opposing HB 2007 into five major points.

1. No lost tax base. In virtually all cases, no tax base is lost when property is abated. An abatement simply postpones a given property tax base increase, while enabling the immediate expansion of the sales tax base, income tax base, and tangential preoperty development.
 - a. Abated preoperty usually consists of new business additions. If the abatements were not granted, the addition would probably not occur.
 - b. Rarely will communities abate the value of property which is currently on the tax rolls. However, when they do, it is typicly vacant rural land or deteriorating urban property which has very low taxable value.
 - c. When communities abate existing taxable value, a common practice has been to require a payment-in-lieu-of-tax (PILOT) equal to the lost tax revenue or at least at a significant percent of that revenue.
2. Local flexibility. Local authority and flexibility should not be compromised in this area. If a community chooses not to abate their school levy, they don't have to.
3. No push since 1992. The 1992 school finance reforms have not brought about an increase in the use of local property tax exemption authority. No evidence supports an abuse of current authority, whether attributable to the 1992 act or anything else.
4. Other governments affected. No community will carelessly postpone tax base expansion simply to let their schools take advantage of the USD finance formula. They will consider the effect on their other taxing subdivisions as well. In fact, last year's enactments (1994 HB 2555) require it of them. Furthermore, they must consider the abatement's impact on state revenue.
5. Other competing states. Neighboring states allow full property tax abatements (including their school levies) for deserving business prospects. Our communities should not be further disadvantaged by having this competitive recruitment tool taken away from them.

In short, HB 2007 speaks to a nonexistent problem. Nor would this bill be likely to reduce anybody's property taxes or even curb the future growth of property taxes. It certainly would discourage the creation of jobs and other economic growth. For these reasons, KCCI respectfully asks that you do not recommend this bill for further consideration. Thank you for your consideration.

**HOUSE TAXATION COMMITTEE
FEBRUARY 10, 1995**

**TESTIMONY ON H.B. 2007
Bernie Koch
Wichita Area Chamber of Commerce**

Mr. Chairman, members of the committee, I'm Bernie Koch, Vice President for Government Relations with The Wichita Area Chamber of Commerce. Thank you for the opportunity to appear today.

This is my eighth year to testify to legislative committees on the subject of tax abatements, but I welcome the opportunity. Putting the spotlight on this issue has been good for proponents of tax abatements because it has forced us to develop information which continues to add to the body of evidence that supports abatements as a viable economic development tool when properly used. Much of the information which has been developed was the result of legislation passed last year.

As you know, my county abates more property than any other in the state. My county also has more manufacturing than any other county in the state. There is a relationship.

Thirty three percent of all Kansas manufacturing jobs are in Sedgwick County. Forty percent of all manufacturing earnings come from Sedgwick County. Over 20 percent of the personal income tax collected by the State of Kansas comes from Sedgwick County. Abatements have played a large role in developing the manufacturing base that causes that revenue to be so high for the state.

We use abatements in Sedgwick County to encourage manufacturers to invest in new machinery and equipment to make them as competitive as possible with their rivals in this country and the rest of the world.

A 1991 study by J. Brandford De Long and Lawrence H. Summers of Harvard and the Massachusetts Institute of Technology, published in the *Quarterly Journal of Economics* analyzed worldwide growth of machinery investment over a 25-year-period. They conclude, in part, that tax incentives for machinery investment more than pay for themselves.

Seventy four percent of the IRB property tax abatements are for machinery and equipment, with only 26% going for commercial real property. Except in rare cases, property is not taken off the tax rolls. The addition of new property is deferred for up to ten years.

Another reason we use abatements is because our property taxes are high compared to other states in the region. The ability to offer an abatement of up to 100 percent for up to ten years helps us level the playing field on property taxes for new and expanding businesses.

Before any property tax abatement is granted, the City of Wichita uses a sophisticated cost/benefit study, which takes into account as many as 240 factors, including the effect on schools, cities, counties, infrastructure and (as you required last year) the impact on state revenues. An abatement is not granted if the benefit does not outweigh the cost.

We believe that House Bill 2007 will have the effect of costing the state revenue. It will set up a roadblock to machinery investment, which will also be a roadblock to expanding jobs.

Restricting tax abatements to this extent will send a message that we are not serious about economic development.

Finally, I'd like to point out that despite our tax abatements, the Sedgwick County property tax base is very healthy. Attached to my testimony is a comparison of assessed valuation in Sedgwick County from 1984 to 1994. Those figures show very clearly that business property assessments in our county are growing at a faster rate than residential assessments.

Thank you for the opportunity to appear today.

PERCENT OF SEDGWICK COUNTY PROPERTY TAX BASE COMPOSED OF COMMERCIAL AND INDUSTRIAL PROPERTY

5-3

	TOTAL PROPERTY TAX BASE	COMMERCIAL & INDUSTRIAL MACHINERY & EQUIPMENT		COMMERCIAL & INDUSTRIAL REAL PROPERTY		TOTAL COMMERCIAL & INDUSTRIAL PROPERTY	
		ASSESSED VALUE	PERCENT OF TAX BASE	ASSESSED VALUE	PERCENT OF TAX BASE	ASSESSED VALUE	PERCENT OF TAX BASE
1984	\$1,339,610,776	\$183,930,207	13.73%	\$220,623,496	16.47%	\$404,553,703	30.20%
1985	\$1,394,266,112	\$187,085,820	13.42%	\$227,298,750	16.30%	\$414,384,570	29.72%
1986	\$1,448,022,385	\$185,445,528	12.81%	\$250,987,830	17.33%	\$436,433,358	30.14%
1987	\$1,494,160,620	\$195,126,906	13.06%	\$261,418,256	17.50%	\$456,545,162	30.56%
1988	\$1,537,513,579	\$211,576,704	13.76%	\$266,438,350	17.33%	\$478,015,054	31.09%

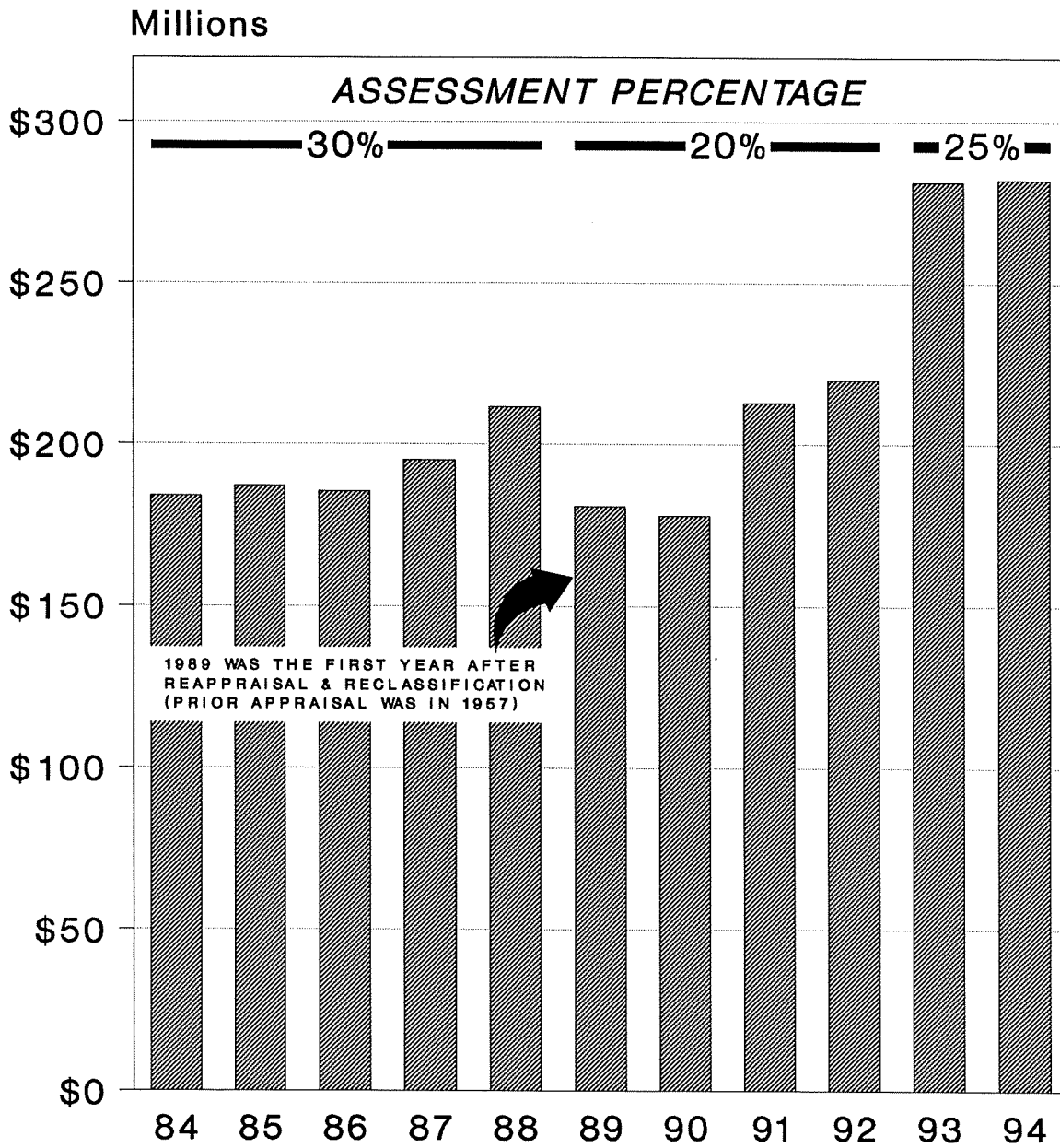
(1989 was the first year after reappraisal and reclassification. Mach/equip from 30% to 20%. Comm/indust real property remained 30%.)

1989	\$1,867,511,789	\$180,826,219	9.68%	\$613,043,418	32.83%	\$793,869,637	42.51%
1990	\$1,912,253,139	\$177,862,882	9.30%	\$622,574,204	32.56%	\$800,437,086	41.86%
1991	\$1,962,204,160	\$212,948,990	10.85%	\$625,921,336	31.90%	\$838,870,326	42.75%
1992	\$2,017,833,007	\$220,016,005	10.90%	\$638,151,101	31.63%	\$858,167,106	42.53%

(1993 was the first year during which both comm/indust machinery & equipment and comm/indust real property were assessed at 25%)

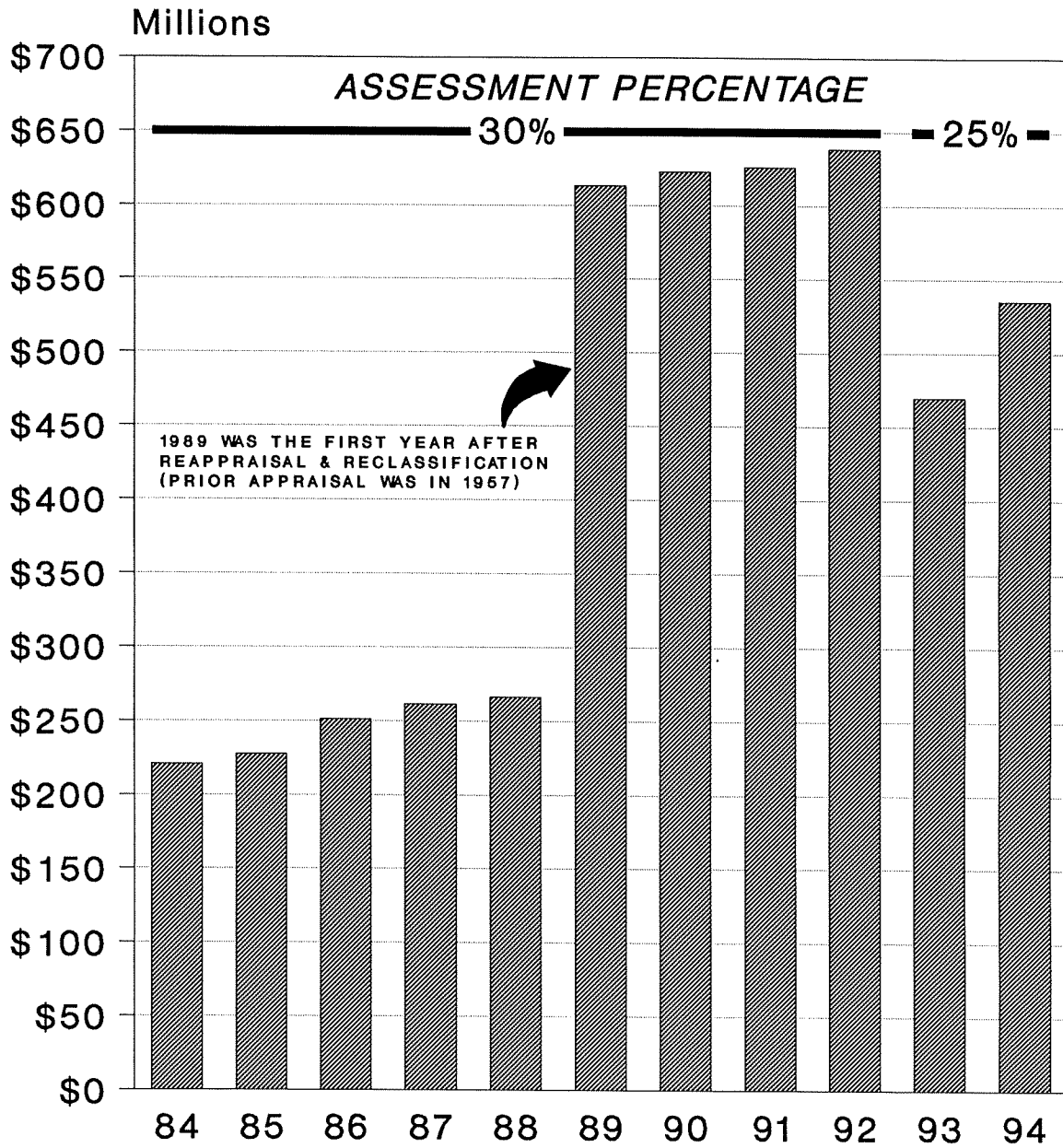
1993	\$2,007,037,441	\$281,394,061	14.02%	\$469,597,688	23.40%	\$750,991,749	37.42%
1994	\$2,060,281,521	\$282,127,156	13.69%	\$535,365,114	25.99%	\$817,492,270	39.68%

ASSESSED VALUE OF COMMERCIAL/ INDUSTRIAL MACHINERY & EQUIPMENT SEDGWICK COUNTY



Source: Sedgwick County Clerk

ASSESSED VALUE OF COMMERCIAL/ INDUSTRIAL REAL PROPERTY SEDGWICK COUNTY



Source: Sedgwick County Clerk

Hawaii Builds Consensus on Energy, Environment

Editor:

Hawaii held its first Energy and Environmental Summit Oct. 8, 1993, with nearly 400 people attending. The purpose was to encourage the exchange of ideas and to build broad-based support for legislative initiatives on energy and the environment.

The meeting was extraordinary in that it represented the culmination of thousands of hours contributed by an assembly of people who have historically disagreed over how to manage the environment. Participants represented private citizens, environmental groups, business and government.

At one extreme, environmentalists want government to protect and preserve the environment regardless of the costs or economic effects on businesses and communities. At the other, business balks at measures that increase costs and regulations even though they may be vital for preserving the environment.

To prepare for the summit, more than 200 people attended a June kick-off meeting at the state Capitol. Four committees—education, compliance and enforcement, energy, and recycling—were organized. From June through October, committee members identified issues and areas of concern, gathered information, led discussions, and developed recommendations on energy and environmental problems facing the state.

The consensus-building process led to the drafting of 21 bills for introduction in the 1994 legislative session. These energy and environmental measures have fared remarkably well. The collaborative process continued throughout the session, allowing the bills to pass through committees with little opposition. To date, one-third have passed both the House and the Senate and are awaiting final conference sessions.

The legislation includes:

- Requiring state agencies to purchase recycled paper products.
- Starting a Clean Hawaii Center, a program to support and promote the recycling market in the state.
- Establishing a centralized clearinghouse for environmental education resources, accessible to the general public,

educators and state agencies.

- Promoting glass recycling by setting up a glass recovery program.
- Encouraging use of renewable energy sources, including home solar photovoltaics and home wind generation, through tax incentives.
- Strengthening the state's commitment to acquiring energy efficiency resources as a substitute for a new energy supply.

This legislation certainly proves that Hawaii is working toward a quality environment. At this point, however, the process itself may be more important than the products it produced. We must continue to employ this participatory model if we are to solve the problems. We need solutions—not confrontation, polarization and stalemate.

Duke Bainum, M.D.
Chairman
House Committee on
Energy and Environmental Protection
Hawaii

Another Point of View on Tax Abatements

Editor:

I'm writing with an alternative view to your June 1994 opinion piece, "The Giveaway Game: You Lose," by Bernard L. Weinstein.

Kansas requires cities and counties that authorize tax abatements to conduct cost and benefit studies. These studies vary with the most sophisticated taking into account as many as 240 factors including the effect on schools, cities, counties, infrastructure and (as required by the most recent state legislative changes) the impact on state revenues (primarily income and sales taxes).

The University of Kansas and Wichita State University developed models at the request of local governments that wanted something to help them rate the viability and effectiveness of abatements. The state is now devising a cost and benefit model for use by cities and counties that don't have the resources to write their own.

Contrary to Weinstein's broad-brush contentions concerning tax abatements, Kansas has a very focused approach with limitations on who can receive cer-

tain types of incentives. The policy does not revolve primarily around industrial recruitment. In fact, most tax incentives are used to expand and retain the business of current employers in the state, a goal Weinstein finds laudable.

Kansas tax abatements also encourage the purchase of new machinery and equipment to keep our businesses, particularly our Wichita-area aircraft manufacturers, competitive with their foreign counterparts. More than 50 percent of the Wichita abatements have been for machinery and equipment. Not only has this strategy been effective, but our machinery and equipment valuations have actually expanded at a greater rate than other segments of the property tax base.

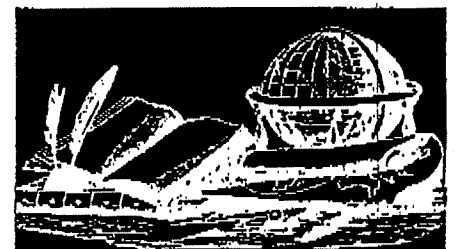
Research on tax abatements conducted by the Center for Economic Development and Business Research at Wichita State University indicates a higher rate of employment expansion at companies that have used tax abatements.

Kansas' economic development research agency, Kansas Inc. in Topeka, was the key adviser to the Legislature on these policy questions and will be developing the model.

Your readers may also be interested in a paper by J. Bradford De Long and Lawrence H. Summers of Harvard and the Massachusetts Institute of Technology in the May 1991 *Quarterly Journal of Economics* that analyzes worldwide growth of machinery investment over a 25-year period. They conclude, in part, that there are more gains than losses from raising equipment investment through tax or other incentives.

I have been deeply involved in lobbying on this issue in Kansas over the last several years. I appreciate that Weinstein's article was labeled "opinion," since there are other points of view.

Bernie Koch
Government Relations
Wichita Area Chamber of Commerce
Kansas



House Committee on Assessments and Taxation

House Bill 2007

**Testimony of
Charles Warren, President, Kansas, Inc.
February 10, 1995**

Mr. Chairman, members of the committee, I appreciate the opportunity to testify on House Bill 2007 prescribing limitations on property tax exemptions of school district levies.

Kansas, Inc. has worked to ensure that our incentives for business recruitment and expansion are used in a responsible manner and that a system of accountability exists. In the 1994 legislative session, several steps were taken to increase accountability of property tax abatements and exemptions.

- o The procedural requirements for issuance of constitutional abatements were extended to property tax exemptions associated with industrial revenue bond financing.
- o The requirement for a cost-benefit analysis was extended to all forms of abatements and exemptions, and a new requirement was imposed to estimate the impact on state revenues of such abatements or exemptions.
- o To ensure that more appropriate and rigorous cost-benefit analysis is accomplished by local governments, \$100,000 was requested and approved by the Governor and Legislature to develop a cost-benefit model for local government use.

Property tax exemptions and abatements are essential tools for local governments and local economic development groups to create jobs and build the economic base of their communities. Without this authority, our communities cannot be competitive in industrial recruitment or business retention.

The decision to grant an abatement or exemption should be left solely to the governing bodies of cities and counties of Kansas. This includes their decisions as to the term and the extent of the property taxes to be abated or exempted.

This decision should be based on a rational basis using sound methodology to calculate the costs to the community and the

state, and the benefits to be gained. This rational process is now in Kansas law.

Whether school district levies should be exempted must then remain a local decision. Whether or not it is beneficial to exempt school district levies must be decided on a case-by-case basis. If there is a clear net benefit to the community, as demonstrated by the analysis, then the decision is a wise one.

The test to be satisfied is: Can the community demonstrate a net, positive gain to their citizens through job creation and investment, that would not occur without the granting of such an exemption? If that test is met, the exemption is proper.

We have demonstrated in the past that the financing of public education does benefit through the wise and appropriate use of exemptions. Job creation and new investment leads to increased sales and income tax collections by local and state government. Every new dollar of state general funds that is generated from economic development provides 40 cents to public education.

School boards must be notified of the decision to consider property tax exemptions. They are involved in the process. If the situation warrants, we must retain the ability of local governments to exempt property taxes, including those of school districts. Both education and the public benefit from the current policy.

KASB

Kansas Association for Small Business

532 N. Broadway ♦ Wichita, Kansas 67214 ♦ (316)267-9992 ♦ Fax (316)267-1448

President
Don McGinty
McGinty Machine
Wichita

Vice-President
Jean Hartwig
Acme Foundry
Coffeyville

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Lavon Wenger
Wenger Mfg.
Sabetha

Larry Widmer
Professional
Machine & Tool
Wichita

Bob Winkler
Mid-Central Mfg.
Wichita

Exec. Director
Alan Cobb

February 10, 1995

RE: HB 2007

Chairman Kline, members of the committee:

I am Alan Cobb, representing the Kansas Association for Small Business, a group of over 70 small manufacturing firms located throughout Kansas. We are concerned about the potential effects of HB 2007.

In a very competitive environment, small manufacturers need every available tool to stay productive and profitable. When one of our members bids on work from one of Kansas' aircraft manufacturers or from an out of state firm, the margins are very slim. A 1 - 2% adjustment can mean the loss of a potential job. Constitutional abatements can and have made a tremendous impact in the success of Kansas' small manufacturers.

The business expansions that abatements are part of add to state revenues, even with the school finance mill levy being abated. An example is Brittain Machine Co., an aircraft component parts manufacturer in Wichita whom recently went through the abatement procedure allowed under the Kansas Constitution.

As they began their expansion, Brittain had 120 employees. Fifty new employees were hired at an average annual salary of \$25,860, which adds \$1,293,000 in payroll. The company invested nearly \$3.5 million in new equipment and \$500,000 in an additional facility.

This additional payroll, with a 5% income tax, adds at least \$64,650 to the state. The \$4 million of property assessed at 25% would thereby be taxed at \$1 million. The property tax abated as part of the school finance mill levy based on 35 mills, means the state does not see \$35,000. This "missing" revenue would also decrease each year as the equipment depreciates. The difference is more than made up from additional income tax. And remember, this does not include any increase in corporate income tax or additional state sales tax revenue.

Thank you for this opportunity to express our concerns about HB 2007.

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**Greater Topeka
Chamber of Commerce**
120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603-3515
913/234-2644
Fax: 913/234-8656



Testimony before the House Taxation Committee
February 10, 1995
HB 2007
Christy Young, Vice President Government Relations
Greater Topeka Chamber of Commerce

The Topeka Chamber opposes HB 2007, limiting property tax abatements. Both IRB and constitutional property tax abatements are an integral part of our state's incentive package. Luring industrial expansions and new manufacturing and warehousing companies to our Kansas communities is no easy task. Location decisions are made using various criteria. Tom Lawton, president of Lawton Unlimited, a location consultant with offices in New York and New Orleans says, "In nearly all of the corporate location projects that I have been involved with over the last five to seven years, incentives have been virtually the whole ball game. I know some surveys put them lower on the list, but frankly, they are number-one in all my clients' lists these days." In a Deloitte and Touche realty consulting group survey of corporate real estate executives, property tax abatements were the second most important incentive behind infrastructure improvements (1-infrastructure improvements, 2-property tax abatements, 3-regulatory flexibility, 4-tax credits, 5-utility rate incentives, 6-land or facilities cost write-down, 7-public financing and/or grants, 8-enterprize zones, 9-subsidized training, and 10-employee relocation assistance)*. Consultants agree that incentives are now firmly entrenched as a part of the economic development scenario, and this is not likely to change any time soon.

In Kansas, local communities can fashion abatement policies based upon their particular situations, up to a 100% abatement for up to 10 years. This flexibility is positive and necessary in a diverse state such as Kansas. Most states offer some type of property tax abatement. In fact, Missouri offers a 100% abatement for up to 25 years to firms who locate in an enterprize zone or blighted area.

A recent addition to Topeka is Reser's Fine Foods, a salad manufacturing plant. In 1990 Reser's spent a significant amount of time researching a location for a new salad plant, their home operation is in Beaverton, Oregon. They narrowed the list of possible locations to three cities, Topeka was their favorite because of the proximity to another food manufacturing plant.

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Testimony before the House Taxation Committee

February 10, 1995

HB 2007

Christy Young, Vice President Government Relations

Greater Topeka Chamber of Commerce

Alvin Reser, President of Reser's Fine Foods said, and I quote, "The decision was not an easy one however because the other two cities were very aggressive in trying to persuade Reser's to select their respective location. In the end, the economic incentive probably played a pivotal role in the decision process. Topeka prevailed because the incentives offered at least matched, in most cases, those offered by other locations. All other criteria were met with all locations and if Topeka had not offered the incentives we would have located the plant at one of the other locations." Reser's began their Topeka operation in 1991, by 1992, they had 112 full-time employees. Since that time they have expanded twice; by the end of 1995 they will have 300 full-time employees. Their first expansion could have been in Memphis, but the decision to expand in Topeka was because of the incentive package they were offered. Mr. Chairman, it is critical that Kansas remain competitive with its incentive package, reducing the scope of this incentives will only hinder efforts such as these to bring new jobs to Kansas citizens.

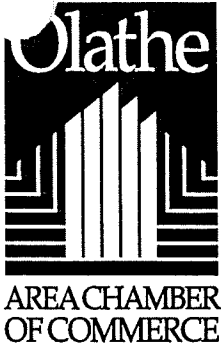
In Shawnee County, the local school districts participate in decisions recommending tax abatements, with the city and county. They are supportive of efforts to create jobs and community growth. Local governments, certainly Topeka and Shawnee County, have been aggressive in tying these abatements to the creation of good paying jobs.

Ever since the legislature and the citizens of Kansas provided for the use of tax abatements in our state, there has been some misconception floating within these halls that abatements take taxes away. The reality is, abatements provide the means to create more tax dollars for our local governments and schools. This is not the abatement of taxes currently on the tax rolls, only the abatement of future tax growth for a period of time. If we limit our abilities to grant an obviously important incentive, which may make or break an expansion or relocation, we all loose. There will be no new tax dollars generated, no new jobs and no new community wealth if a company locates outside our state because the bottom line does not add up for Kansas.

I encourage you to look at the big picture as it relates to property tax abatements. Passing this legislation will not further our cause nor in the end help schools. Only the growth and expansion of business and jobs throughout our state will further the growth of dollars to schools and local governments. The Topeka Chamber urges you to "vote no" for HB 2007.

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* "Area Development", January, 1994.



MEMORANDUM

TO: Members of the House Taxation Committee

FROM: Steve Goodhue, President
Olathe Area Chamber of Commerce

DATE: February 9, 1995

RE: House Bill 2007 - Property Taxation, Limitations Upon Exemptions,
School District Levies

The Olathe Area Chamber of Commerce appreciates the opportunity to present written testimony in opposition to House Bill 2007. The bill would severely restrict the use of this important economic development tool for Olathe and the State of Kansas.

Given the highly competitive environment of economic development, the Olathe Area Chamber of Commerce believes further restriction of the tax abatement statute would place the State of Kansas at a competitive disadvantage with adjoining and competing states. Many communities, including Olathe, have found tax abatement to be an extremely effective tool to attract and retain business and industry.

The Olathe Area Chamber of Commerce recognizes the importance of utilizing tax abatement in discretion. In Olathe's case, tax abatement is limited to 50% of the amount that would ordinarily be levied. While many cities throughout the state abate real and personal property up to 100%, Olathe maintains that a 50% cap still provides for local taxing entities to receive partial tax revenue. In addition, the Olathe community carefully considers tax abatement requests based on capital investment, whether the business is a target industry, the contributions of the business to employment opportunities and a positive fiscal and economic impact.

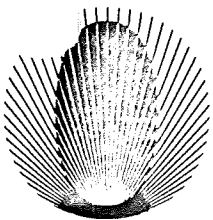
The Olathe School District is always consulted on proposed tax abatement requests. The Olathe School District has continued to remain supportive of abatements in Olathe.

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Attachment 9-1

Members of the House Taxation Committee
February 9, 1995
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The Olathe Area Chamber of Commerce believes that tax abatement must be utilized with a "big picture" in mind. The use of tax abatement provides business and industry short term tax reductions that will result in long term revenues to benefit local municipalities and school districts.

We urge the House Taxation Committee to not recommend House Bill 2007 for further consideration. The Olathe Area Chamber of Commerce believes that local communities must have the ability to continue utilizing tax abatement and other economic development tools to build a stronger local and state economy.



City of Olathe

MEMORANDUM

TO: Members of the House Taxation Committee

FROM: Donald R. Seifert, Management Services Director *DRS*

SUBJECT: House Bill No. 2007 - Exclusion of School Tax Levies from Tax Abatement Authority

DATE: February 10, 1995

On behalf of the city of Olathe, thank you for the opportunity to comment today about HB 2007. This bill would limit a city's authority to grant property tax abatement under both the constitutional and industrial revenue bond procedure by excluding school taxes from the abatement. As a policy position, the Olathe governing body opposes legislation that would further restrict the use of property tax abatements. Since school taxes generally constitute the majority of the local property tax levy, this bill would render tax abatement relatively impotent as an economic development tool.

Under current law, we believe there is ample opportunity for school districts to provide input into the decision making process on abatements. The 1990 and 1994 Legislatures enacted laws which require cities and counties to adopt written policies on tax abatement, including procedures for conducting a fiscal impact analysis, providing notice to affected entities including school districts, conducting a public hearing on each request, and monitoring compliance. These were reasonable restrictions, which placed into law responsible public policy in the use of tax abatements. In Olathe, we discuss each proposed tax abatement very closely with the local school district.

Attached to my testimony is a copy of Olathe's property tax abatement policy. It limits tax abatement to 50% of the amount that would ordinarily be levied, and prohibits abatement of existing valuation. Thus, the city considers tax abatement requests only for 50% of the new incremental valuation added to the community. In this way, even with a tax incentive, all taxing units -- city, county, state, and school district share in new wealth and tax revenue generated from a development project. The community and state gain nothing if the project doesn't happen or goes elsewhere.

Since 1988, Olathe has granted partial property tax abatement to five projects representing approximately \$6.3 million in assessed valuation. This amounts to less than 1.5% of the assessed valuation of the Olathe School District. In general, the district has supported the city's abatement decisions because it will receive at least 50% of the property taxes that otherwise might not have occurred.

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Our community believes that one long term answer to property tax concerns is increasing the tax base through the expansion and attraction of industry. To do this in today's competitive environment, we need to preserve all the economic development tools that are available to us.

We suggest that current law provides a framework for local units of government to adopt a responsible tax abatement policy tailored to local needs.

rc

Attachments

OLATHE PROPERTY TAX ABATEMENT PROJECTS

<u>TYPE</u>	<u>BUSINESS</u>	<u>YEAR EXEMPTED</u>	<u>ASSESSED VALUE</u>	<u>% EXEMPT</u>	<u>YEARS EXEMPT</u>	<u>COMMENTS</u>
EDX	Dillards Distribution	1988	3,403,306	100	10	Payment in lieu of taxes
EDX	Pepsi Cola	1988	1,015,620	55	5	Declines from 100% over 5 yrs
IRB	Culligan	1989	441,000	30	5	Declines from 50% over 6 yrs
IRB	Mitchell Oldsmobile	1990	1,171,720	37	6	Declines from 50% over 5 yrs
IRB	Cintas	1992	750,000	50	10	
IRB	Great Mall	1992		50	10	Abatement period ends in 2004
IRB	Puritan Bennett	1993		50	10	Project must commence by 12/98
IRB	Dymon, Inc.	1994		50	9	50%, 6 yr abatement for pers.prop.
IRB	Garmin, Inc.	1994		50	10	Project must be completed by 12/97

RESOLUTION NO. 94-1163

A RESOLUTION ESTABLISHING A POLICY FOR PROPERTY TAX ABATEMENTS FOR THE CITY OF OLATHE, KANSAS; FURTHER REPEALING RESOLUTION NO. 93-1172

WHEREAS, the city of Olathe recognizes that it is essential to stimulate economic growth and development in order to provide services, employment and tax revenues for the benefit of the community; and

WHEREAS, it is further recognized that the stimulation of balanced economic development is a joint responsibility of the private and public sectors, working closely together creating a positive business environment and to induce industry to locate and expand in the city of Olathe; and

WHEREAS, the economic development program goals of the city of Olathe include economic diversification, broadening of the property tax base, stimulation of private investment, enhancement and support of existing development, maintenance of environmental quality, creation of employment opportunities, and increased per capita income; and

WHEREAS, to meet these economic development goals, the city recognizes the occasional necessity to grant property tax exemptions and tax incentives for real and personal property pursuant to the provisions of Section 13 of Article 11 of the Kansas Constitution and K.S.A. 12-1740 et seq.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF OLATHE, KANSAS:

SECTION ONE: CRITERIA FOR ABATEMENT. It shall be the policy of the city that economic development projects pay their fair share of property tax, special improvement district assessments, and cost of utility services. The Governing Body shall consider the following criteria and conditions as precedents to granting property tax incentives pursuant to Section 13 of Article 11 of the Kansas Constitution and K.S.A. 12-1740 et seq.

- A. The project must add to the Olathe economy. Evaluation criteria to be used in determining benefit to the community shall include but not be limited to: the amount of capital investment; whether the project is within an industry targeted by Olathe or the State of Kansas; whether the project produces value-added products and services; whether the project creates above-average wage jobs; and whether the project provides a positive fiscal impact and economic impact.
- B. The project shall be one in which a substantial part of its total products and/or services are exported from the Olathe area, or items for local consumption that would add jobs and replace purchases now being made by Olathe citizens in areas outside the city.
- C. To facilitate expansion or retention, preference shall be extended to existing Olathe industries that invest in building expansion or acquire new machinery and equipment. However, the amount of property taxes or special assessments on the existing facilities shall under no circumstances be reduced.

- D. No such property tax abatement shall be in excess of 50% of the amount the property would have paid had it been fully taxed during the abatement period determined in Section Two.
- E. The amount and diversity of additional employment opportunities which would be provided shall be a primary consideration.

SECTION TWO: TERM OF ABATEMENT. The abatement period for a project approved under this Resolution shall be determined by the amount of new capital investment in the community. Capital investment shall include investment in land, building, and personal property subject to ad valorem taxation. The normal term of abatement for each project is determined according to the following schedule, unless a different term is established by the Governing Body pursuant to Section Seven herein:

<u>Capital Investment</u>	<u>Normal Term</u>
\$500,000 to \$4 million	3 years
\$4 million to \$8 million	5 years
greater than \$8 million	10 years

The abatement term for projects considered under authority of Section 13 of Article 11 of the Kansas Constitution shall begin in the calendar year 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. The abatement term for projects considered under authority of K.S.A. 12-1740 through 12-1749 shall begin in the calendar year after the calendar year in which the bonds are issued.

SECTION THREE: PROCEDURE. The city shall consider granting a tax exemption pursuant to this Resolution after receipt of a complete application from the applicant in a form prescribed by the city. Based on each application and such additional information as may be requested by the city, the city shall prepare or cause to be prepared a fiscal impact analysis of the proposed exemption on the city, which analysis shall be used by the Governing Body in considering the request.

In making its decision, the Governing Body may also consider any fiscal and/or economic impact analyses performed by the Olathe School District or the Johnson County Economic Research Institute.

Prior to formal action on each resolution of intent, the Governing Body shall conduct a public hearing thereon, to be scheduled at least seven days after publication of notice. Notice of the hearing shall also be sent to the Governing Body of Johnson County and the Olathe School District.

SECTION FOUR: PERFORMANCE AGREEMENT. Any tax exemption granted pursuant to this Resolution shall be accompanied by a performance agreement between the applicant and the city, which is subject to annual review and determination by the Governing Body that the conditions qualifying the business for the exemption continue to exist.

SECTION FIVE: APPLICATION AND RENEWAL FEES. The Governing Body shall establish an application fee of \$250 and an annual renewal fee of \$100 for projects considered under this Resolution.

SECTION SIX: APPRAISED VALUATION OBJECTIVE. The Governing Body desires to increase the non-residential tax base to preserve and enhance the city's fiscal capacity to provide public infrastructure and services necessary to support economic development. The Governing Body's objective is to increase commercial and industrial development to 30% of the total city appraised valuation. The Governing Body's objective also includes maintaining the commercial and industrial development at 30% of the total city appraised valuation.

SECTION SEVEN: AUTHORITY OF GOVERNING BODY. The Governing Body reserves the right to deviate from any policy or procedure set forth in this Resolution other than procedural requirements of state law when it considers such action to be in the best interests of the city.

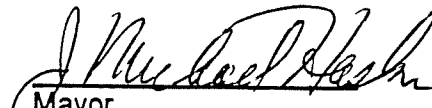
SECTION EIGHT: SUNSET DATE. Since the justification for tax abatements will be lessened as the local economy moves towards its goals of balance and diversification, this policy shall automatically expire on December 31, 1995 unless it is readopted for an additional term. No such tax abatement shall be granted following such expiration, unless this policy is readopted.

SECTION NINE: PREVIOUS RESOLUTION REPEALED. Resolution No. 93-1172 is hereby repealed.

SECTION TEN: EFFECTIVE DATE. This Resolution shall take effect immediately.

ADOPTED by the Governing Body this 20 day of December, 1994

SIGNED by the Mayor this 20 day of December,
1994


Mayor

ATTEST:


City Clerk

(SEAL)

APPROVED AS TO FORM:


Municipal Counsel

THE BOC GROUP

575 Mountain Avenue, Murray Hill, New Jersey 07974-2082, U.S.A.

Tel: (908) 454-8100

February 9, 1995

Representative Phil Kllien
 Statehouse
 Room #107 West
 Topeka, KS 66612

Post-It™ brand fax transmittal memo 7671		# of pages ▶
To Phil Kllien	From	
Co.	Co.	
Dept.	Phone #	
Fax # 413-291-3446	Fax #	

Dear Representative Kllien:

Please let it be known that The BOC Group, Inc., the world's second largest manufacturer of industrial gases, would like to go on record during the House Committee meeting on Friday, February 10th, as opposing House Bill 2007. The BOC Group has multi-million dollar facilities in Kansas City, Lawrence and Otis and we are contemplating another multi-million dollar facility elsewhere in Kansas.

The BOC Group feels that House Bill 2007 will negatively impact our plans to expand in Kansas. The effect of this bill would wrest from local taxing authorities the ability to abate property taxes. If the local taxing authority is unable to abate all of our property taxes, we would be unable to funnel the abated tax back into the project as planned. The result would be lower employment and a smaller tax base once the abatement expires.

If you would like to discuss this matter further, please contact me at (908) 771-1173.

Thank you.

Very truly yours,

John B. Skowronski

John B. Skowronski
 Manager of Research and Planning
 Property Tax

cc: Pat Fleming
 Rosa Sierra

House Taxation
 2-10-95
 Attachment 11





**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 S.W. 7TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

LEGISLATIVE TESTIMONY

TO: House Taxation Committee
FROM: Chris McKenzie, Executive Director *cm*
DATE: February 10, 1995
RE: Testimony on HB 2007, Concerning Tax Abatements

I apologize that I will not be able to be present in person this morning to comment on HB 2007, which would prevent property which is granted a tax abatement from being exempt from all state and school district levies to support local school district operations. A prior commitment to work with a Senate Subcommittee on legislation concerning the Municipal investment Pool will prevent me from attending, but I would appreciate the opportunity to file the following comments.

Tax abatements are among the most significant tools that cities have to attract and retain community business and industry. Over the years the legislature has imposed a number of limitations on the power of local units to grant these exemptions, most recently last year prohibiting abatements for retail businesses and strengthening the factors that must be analyzed at the local level when an abatement proposal is being considered, including the effect on state finances (which includes the 35 mill school levy). Prior laws require a direct consultation process with local school districts when abatements are considered.

While the 1992 school finance plan had the effect of lowering levies for schools in most counties statewide, they still represent a significant portion of the total. As a result, the elimination of the ability to abate taxes for that portion of the overall levy will make Kansas communities even less competitive when it comes to negotiations with businesses.

Under legislation passed last year the League is working with Kansas, Inc. and a contractor to develop, test and implement a new model for analyzing the state and local costs and benefits of tax exemptions offered by Kansas cities and counties. It is expected the model will be complete by late March, and the League will provide free training in its use to local government officials, university staff, and representatives of other organizations that frequently assist in such analysis (e.g., chambers of commerce). We believe this will improve the local tax exemption decision making process in the near and long term future.

RECOMMENDATION: For the above mentioned reasons, we recommend that you not support HB 2007. Tax abatements are still an important economic development tool.

President: Harry L. Felker, Mayor, Topeka * Vice President: John Divine, Commissioner, Salina * Past President: Donald L. Anderson, Mayor, Lindsborg * Directors: * Chris Cherches, City Manager, Wichita * Yvonne Coon, City Administrator, Clearwater * Ed Eilert, Mayor, Overland Park * John Golden, Mayor, Goodland * Ralph T. Goodnight, Mayor, Lakin * Tom Martin, Commissioner, Dodge City * Larry Mathews, Commissioner, Newton * Nancy Maze, Commissioner, Fort Scott * Mary E. Reed, City Clerk/Director of Finance, Parsons * Neil Shortidge, City Attorney, Roeland Park * Joseph E. Steineger, Jr., Mayor, Kansas City * Melvin Williams, Councilmember, Mission * Executive Director: Christopher K. McKenzie

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Attachment 12