

Approved: 4-30-97  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on March 13, 1997 in Room 519-S of the Capitol.

Committee staff present: Chris Courtwright, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Shirley Sicilian, Department of Revenue  
Ann McMorris, Committee Secretary

Conferees appearing before the committee:  
Rep. Tim Emert  
Dr. Gerard W. Baird, Johnson County Community College  
Shirley Sicilian, Department of Revenue

Others attending: See attached list

Chair called on Rep. Carmody who explained the issues in two bills he was requesting the committee to introduce.

Moved by Rep. Vickery, seconded by Rep. Shore, introduction of (1) bill relating to property taxation requiring the publication of certain tax levy rates and (2) bill relating to financing of school districts, concerning the property tax levy required. Motion carried.

Chair opened hearing on  
**SB 22 - Property tax exemption for industrial training centers**

Proponents:  
Rep. Tim Emert (Attachment 1)  
Dr. Gerald W. Baird, Johnson County Community College (Attachment 2)

Chair closed hearing on **SB 22.**

Chair opened hearing on  
**SB 40 - Homestead property tax refund act amendments**

Proponents:  
Shirley Sicilian, Department of Revenue

Written testimony  
Dan Hermes, Director of Governmental Affairs (Attachment 3)

Chair closed hearing on **SB 40.**

Chairman Kline announced all hearings and action on bills in the Taxation Committee would be suspended until a consensus on tax policy was reached. He proposed to hold informal discussion where members of both parties could put forth their proposals. Several members spoke favorably on this procedure and felt it would be a fine opportunity to look at the big picture and do some long range planning. General consensus the committee's goal is to set tax policy and this procedure would provide the committee information on all areas of tax. Staff were instructed to provide information on several issues which would be studied during the next several meetings of the committee.

The next meeting is scheduled for March 14, 1997.

Adjournment.

Attachment - 3



SB 22  
Testimony of Senator Tim Emert  
March 13, 1997  
Kansas House Tax Committee

Chairman and members of the Committee:

I appreciate the opportunity to address you briefly this morning on SB 22.

If this bill becomes law in the state of Kansas, it will provide for an additional tax exemption wherein any building used as an industrial training center for academic or vocational education programs located on the land of a Kansas community college would be exempt from property taxes.

Presently, such facilities exist at Independence Community College and Johnson County Community College

The situation at Independence is as follows:

In December of 1995, the Cessna Aircraft Company made the decision to expand its operation into our community. As a part of that expansion, Cessna was in need of a training facility which would train, over the next three years, approximately 2,000 potential employees.

A very complicated agreement was reached between the Montgomery County economic development committee with the city of Independence; the city then entered into an agreement with Cessna Aircraft Company and Independence Community College to fund the construction and equipping of the training facility.

The community college committed 1/2 million dollars to the project and the Montgomery County economic development committee committed an additional 1/2 million dollars to Cessna to build the frame structure itself. Through these

various agreements, the city became the owner of the building and leased the building to the college for a period of ten years. An additional part of that agreement is that at the end of ten years, the building will belong to the college.

A \$3 million grant from the state of Kansas through the Department of Commerce will provide the technology and equipment for the building along with training resources necessary to fill the goals of Cessna Aircraft Company. This grant was made to Pittsburg State University, Southeast Kansas Area Votetchnical School, Independence Community College and Coffeyville Community College.

Under additional agreements between the college and Cessna Aircraft Company, the latter will have "priority" usage of the facility for approximately 80 percent of the time with the college having the ability to use the equipment, technology and facility for the balance of those three years. This facility will be used by the college to bring interactive distance learning to our community, computer training at the campus and for much needed additional classroom space.

After the initial three years, Cessna will have "primary" usage of the facility for approximately 50-60 percent of the time over the remaining seven years.

As mentioned before, at the end of the above mentioned ten years, the building becomes the property of the college.

The bill before you does not aid Independence Community College in this project inasmuch as the college has through these complicated agreements avoided taxation on the building and equipment; however, this was done at a cost in legal expenses alone of approximately \$65,000 to our community.

The Independence building is tax exempt. SB 22 simply allows a straightforward simplified and inexpensive means of obtaining the same result for others.

I do appreciate the opportunity to address you on this matter. I ask you for favorable passage of SB 22.

## House Committee on Taxation

Comments offered by Gerald W. Baird, Vice President of Administrative Services, Johnson County Community College in an appearance before the House Committee on Taxation on March 13, 1997, pertaining to Senate Bill 22, an act relating to property taxation; concerning the exemption of certain industrial training center buildings.

I am appearing on behalf of the Johnson County Community College to state our support for Senate Bill No. 22. In 1986 the College was able to reach agreements with the City of Overland Park, Kansas and the Burlington Northern Railroad whereby the railroad established its international technical training center known as the National Academy of Railroad Sciences at the College. The facility was expanded in 1991. This facility has had a very beneficial impact upon the economy of Johnson County.

The cost of construction of the facility was financed by industrial revenue bonds issued by the City of Overland Park. It was critical to the establishment of the facility that a real estate tax exemption be granted by the City of Overland Park under authority of the Industrial Revenue Bond law because the facility was constructed on the JCCC campus. Even though the College has shared usage of the building(s) for its regular course work and also conducts training in conjunction with BNSF in the Industrial Training Center, the presence of Burlington Northern in the Center would have subjected the otherwise tax exempt property of the College to ad valorem taxes because the facility is not exclusively used by the College. Thus, the tax abatement granted by the City of Overland Park was the keystone to the establishment of the Industrial Training Center.

It might be of assistance to the Committee in considering Senate Bill No. 22 to understand how Burlington Northern selected Johnson County in which to locate

its training center. Burlington Northern came to the College to seek the assistance of the College's Business and Industry Institute staff in evaluating their training facilities. Burlington Northern had previously located some of their corporate operations headquarters in Overland Park not far from the College campus. The Director of Technical Training for the railroad had inquired of the College if we could provide some specialized welding training for their employees. From these discussions the College and the railroad concluded that there would be significant advantages to both the railroad and the College if the Training Center for technical training of employees of the railroad could be located at our campus. The College attorneys recommended a training contract, with ownership of the facility constructed at the College being retained by the College. This advice was based upon the exemption requirements of the property tax laws and the concern about completion of construction in accordance with College requirements. The attorneys for the railroad, however, desired the security of a long-term lease because of the substantial investment of personnel, property, and monetary commitments for the railroad's worldwide training center. Negotiations waned because of these apparent conflicting, but real, problems. While the College and Burlington Northern grappled with these concerns, Burlington received significant and substantial offers to locate their training center in other states. It was finally determined that one method existed to accomplish the goals of both the College and Burlington. This method involved the City of Overland Park, the municipality in which the College is located, issuing industrial revenue bonds for Burlington Northern. As part of this transaction, the City and the College entered into an intergovernmental agreement approved by the Attorney General of the State of Kansas, which provided for a lease to the City of the footprint of the Industrial Technical Center building and also provided for the use of industrial revenue bonds for construction of the training center at the College. The lease payments made by Burlington Northern and the

College permit the industrial revenue bonds to be paid for in ten years and, at the end of the ten-year period, the ownership of the building transferred to the College. In effect, Burlington has agreed to a gift to the College of their interest in the building. The City of Overland Park granted tax abatement to the project for the ten-year period as permitted by existing law for industrial revenue bond financing.

The location of the training center at our College campus has had a significant impact upon the community and provides the College with a training center largely paid for by the railroad. BNSF provides training to over 10,000 employees from 29 states and two Canadian provinces per year. These employees will be housed in hotel rooms that are in excess of 100,000 room nights a year. It is estimated that the annual economic impact of the Industrial Training Center is in excess of \$40 million dollars per year.

The provision of Senate Bill No. 22 providing that "any building used primarily as an industrial training center for academic or vocational education programs designed for and operated under contract with private industry, and located upon a site owned or being acquired by or for a community college, as defined by K.S.A. 71-701, and amendments thereto, pursuant to a lease-purchase agreement, and the site upon which any such building is located" be exempt from all property or ad valorem taxes is in our opinion sound and prudent public policy. We believe it allows the very best in public and private partnerships that have tremendous positive economic impact upon the economy of the community and the state of Kansas. It is what we call a win-win-win relationship.



We believe the use of tax abatements for the College and its Industrial Technical Center is important for these reasons:

1. The land is publicly owned and was tax exempt to begin with and therefore was never on the tax rolls;
2. The ownership of the facility reverts to the College at the completion of the lease. Thereby no private company has or will acquire ownership of property that has received tax abatement. As a matter of fact, the ownership of the real property that houses the Industrial Training Center is and will remain in the College. The only interest of the City and the industry is the lease to the City and the sublease to the industry;
3. There is a significant positive economic impact upon hotels, motels, restaurants, shopping facilities, and other service industries as well as a significant increase in the number of jobs and employees who would not otherwise be working in Kansas. This alone makes a very significant increase to the tax base of our county.

I am aware of another exemplary public private training partnership that has tremendous benefit to the community and the state. It is between Independence Community College and Cessna. I understand It is very similar to the program between Johnson County Community College and Burlington. I feel certain there will be other economic development partnerships between community colleges and businesses within the state of Kansas in the future.

# STATE OF KANSAS

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## OFFICE OF THE GOVERNOR

### LEGISLATIVE TESTIMONY

TO: Chairperson Phill Kline and Members of the House Taxation Committee

FROM: Dan Hermes, Director of Governmental Affairs

DATE: March 13, 1997

BILL: Senate Bill Number 40

Increasing eligibility for the homestead property tax refund

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Mr. Chairman and members of the committee, I regret I am unable to appear before you today in support of an important portion of the Governor's tax reduction package. I had previously scheduled commitments. This measure establishes higher income thresholds to reduce the regressive nature of the property tax in our state. Combined with the other measures that you are considering, the package provides meaningful, targeted and balanced relief. Page two of my testimony relates to the bill in front of you today.

Thank you for the opportunity to share with the committee related to this important component of the Governor's tax relief package.

House Taxation  
3-13-97  
Attachment 3-1

## HOMESTEAD PROPERTY TAX REFUND EXPANSION

Senate Bill Number 40 is the Governor's recommended method to expand targeted property tax relief to Kansans under the homestead rebate program. Under current law, relief is limited to individuals with income of less than \$17,200 who are 55 years or older, disabled or have dependent children under the age of 18. Homeowners and renters are eligible for the program, with homeowners limited to maximum refunds of \$600 (or the actual amount of their property taxes) with renters allowed 15 percent of their rent as a rebate.

The bill in front of you expands the income restriction to \$25,000 and revises the table to calculate the refund to enhance the refund received by the taxpayer. Officials from the Department of Revenue can give details of the changes in the table to determine refund amounts. More important, however, are the changes in refunds that the modifications produce. Following are several examples of the current law refund, the refund under the interim committee recommendation (HB 2005) and the Governor's recommended modifications. The examples are based on the average 1996 state mill levy of 118 on a home with an appraised value of \$50,000 or, in the case of renters, with 25 percent of their income going toward rent.

	<u>Taxes</u>	<u>Current law</u>	<u>HB 2005</u>	<u>SB 40</u>
<b>Homeowner:</b>				
\$12,000	\$679	\$245	\$324	\$380
\$18,000	\$679	\$0	\$55	\$217
\$25,000	\$679	\$0	\$0	\$27
<b>Renter:</b>				
\$12,000	\$450	\$95	\$95	\$252
\$18,000	\$675	\$0	\$55	\$216
\$25,000	\$938	\$0	\$0	\$38

During my experience as staff for the Governor's tax equity task force during the summer and fall of 1995, a consistent and emotional theme heard in all of the public hearings around the state was a concern of limited, fixed income folks having ever higher property taxes, often exceeding mortgage payments. The recommended enhancements to the state's rebate program are a significant step to alleviate these concerns. The Governor would appreciate favorable consideration of the approach contained in SB 40.