

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on January 21, 1997, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Bond,
Senator Goodwin, Senator Hardenburger, Senator Harris,
Senator Karr, Senator Lee, Senator Praeger,
Senator Sallee and Senator Steineger.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Senator Don Sallee
Senator Tim Emert
Gerald W. Baird, Johnson County Community College

Others attending: See attached list

The minutes of January 16, 1997, were approved.

Senator Sallee requested the introduction of a bill which would exempt coin operated car washes from sales taxation.

Senator Corbin moved to introduce the bill, seconded by Senator Sallee. The motion carried.

Senator Langworthy announced that a hearing was scheduled for Friday, January 24, on **SB 51** relating to income taxation for a portion of property tax levied against commercial and industrial machinery and equipment.

SB 22--Relating to property taxation; concerning the exemption of certain industrial training center buildings.

Senator Tim Emert testified in support of **SB 22** which would provide an additional tax exemption for vocational education programs located on the land of community colleges. He explained the bill as it related to the Cessna training center located at Independence Community College, noting the positive effect on the economic development of the community. He also offered an amendment on page five, line nineteen of the bill. (Attachment 1)

Senator Sallee discussed a similar situation which he thought perhaps could be addressed in **SB 22**. The situation involved the sale of property designated for the future location of a church. The property was not granted exemption from taxation because the sale was financed by the landowner. Senator Bond said this was a personal property tax issue and related to a bill concerning churches which had been introduced in the House Taxation Committee.

Gerald W. Baird, Johnson County Community College, testified in support of **SB 22**. He discussed the background of the National Academy of Railroad Sciences established by the Burlington Northern Railroad at Johnson County Community College. He noted that the facility has met all of the original goals and objectives and emphasized the enormous benefit it has provided for the economy of Johnson County. (Attachment 2)

Senator Lee began a discussion regarding ownership of the campus facility after the lease agreement expires. Mr. Baird confirmed that the college would have sole ownership and control of the building, noting that the

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on January 21, 1997.

college would want to continue the relationship with Burlington Northern. He also confirmed that, once the facility became the property of the college, Burlington Northern would continue to pay on a lease agreement and also pay all operation costs associated with the facility.

Discussion followed regarding language in the bill on page five, lines 16 through 21, particularly the use of "primarily" on line 16. Staff explained that the language was necessary because the property on the college campuses was not being used exclusively for an educational purpose but was being used for the private purpose of industrial training. With this, the hearing on **SB 22** was concluded.

Senator Langworthy called attention to **SB 6**, concerning interest rates on refunds and delinquent payments of property tax, which was heard on January 16. She announced that a subcommittee would meet this week to discuss the bill. Those serving on the committee will be Senator Corbin as Chairman, Senator Lee, and Senator Sallee.

Attention was turned to **SB 7**, concerning tax levy rate limitations on governmental units, which was heard on January 15.

Senator Bond moved to report **SB 7** as favorable for passage, seconded by Senator Corbin. The motion carried.

The meeting was adjourned at 11:59 a.m.

The next meeting is scheduled for January 22, 1997.

SENATE ASSESSMENT & TAXATION COMMITTEE
GUEST LIST

DATE: January 21, 1997

| NAME | REPRESENTING |
|-----------------|-----------------------------|
| Bruce Swanwick | League of KS Municipalities |
| Kelly Kuitala | City of Overland Park |
| Joyce Coker | Johnson County Court |
| Jeff Bridg | DOB |
| Burd Smoot | KACC |
| Sue Bond | |
| John Peterca | Ks Assn of County Colleges |
| JAKE FISHER | Washburn University |
| Tom Bruno | Allen Assoc. |
| Pat Diebel | KS Railroads |
| Sarah Davis | Girl Scouts Councils |
| Hershel Peor | Cit. |
| Jon Freed | Sen. Stan Clark |
| Tim Youally | Johnson Co Comm Coll. |
| Jerry Baird | Johnson Co. Com. College |
| DAVE HOLTBAUS | Western Resources |
| Merle Hee | Ks Assn Com. Colleges |
| Kay Calvert | Ks League of Women Voters |
| Karen Donaldson | Sen. Sandy Praeger |

SENATE ASSESSMENT & TAXATION COMMITTEE
GUEST LIST

DATE: January 21, 1997

| NAME | REPRESENTING |
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| Shirley Sziljan | KDOR |
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SB 22

Testimony of Senator Tim Emert

January 21, 1997

Kansas Senate Tax Committee

Madam Chairperson 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

Another conferee will speak to the specifics of 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

*Senate Assessment & Taxation
1-21-97
Attachment 1*

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 Votchnical 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 have an amendment to the bill which is set out in the attached balloon. I would be happy to discuss it at this time or stand for any questions.

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

1 city of Kansas City, Missouri, now or hereafter located within the territory
2 of the state of Kansas pursuant to the compact and agreement adopted
3 by chapter 304 of the 1921 Session Laws of the state of Kansas. [See
4 K.S.A. 79-205].

5 *Fifteenth.* All property, real and personal, owned by a groundwater
6 management district organized and operating pursuant to K.S.A. 82a-
7 1020, and amendments thereto.

8 *Sixteenth.* All property, real and personal, owned by the joint water
9 district organized and operating pursuant to K.S.A. 80-1616 *et seq.*, and
10 amendments thereto.

11 *Seventeenth.* All property, including interests less than fee ownership,
12 acquired for the state of Kansas by the secretary of transportation or a
13 predecessor in interest which is used in the administration, construction,
14 maintenance or operation of the state system of highways, regardless of
15 how or when acquired.

16 *Eighteenth.* Any building used primarily as an industrial training cen-
17 ter for academic or vocational education programs designed for and op-
18 erated under contract with private industry, and located upon a site
19 owned ~~or being acquired by or for a community college, as defined by~~
20 ~~K.S.A. 71-701, and amendments thereto,~~ [pursuant to a lease-purchase
21 agreement] and the site upon which any such building is located.

22 The provisions of this section shall apply to all taxable years commenc-
23 ing after December 31, ~~1994~~ 1996.

24 Sec. 2. K.S.A. 1996 Supp. 79-201a is hereby repealed.

25 Sec. 3. This act shall take effect and be in force from and after its
26 publication in the statute book.

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Senate Committee on Assessment and Taxation

Comments offered by Gerald W. Baird, Vice President of Administrative Services, Johnson County Community College, in an appearance before the Senate Committee on Assessment and Taxation on January 21, 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

*Senate Assessment & Taxation
1-21-97
Attachment 2*

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 25 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 Training 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 Northern. I feel certain there will be other economic development partnerships between community colleges and businesses within the state of Kansas in the future.