

Approved: February 23, 1999
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson David Adkins at 9:00 a.m. on January 27, 1999 in Room 519-S of the Capitol.

All members were present except: All present

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Rep. Jim Morrison
Steve Kearney, Kansas Vocational-Technical Schools
Representative Ward Loyd
Senator Steve Morris
Jim Kaup, representing the City of Garden City

Others attending: See attached list.

The Chairman opened the public hearing on:

HB 2001 - Property tax exemption for certain student unions and dormitories.

The Chairman introduced April Holman, Legislative Research Department, who gave a Staff briefing on the bill.

Proponents:

The Chairman introduced Representative Jim Morrison, sponsor of the bill and Proponent. No written testimony was presented. Representative Morrison indicated that the bill was not controversial. Representative Morrison explained that in years past the Northwest Area Kansas Vocational-Technical School in Goodland has had some dormitories for their students and they have been not taxed for a long time. The school needed to build more facilities because the school grew from approximately 250 to 500 students. A person died and bequeathed some money to the school to build the new dormitories and the local appraiser taxed them. Representative indicated that apparently the law was not clear that the facilities are owned by the college and not by a private company, nor anyone else, and this bill is a clarification of the law. He noted that he felt that it would be consent calendar material.

The Chairman recognized Steve Kearney, representing the area Vocational-Technical Schools Association. No written testimony was presented. Mr. Kearney noted that he agreed with Representative Morrison in that it is a problem that just cropped up and the school had not been taxed previously on these buildings. Mr. Kearney also noted that post-secondary aid dollars are very precious and does not like to see them going for taxes instead of educating students.

The Chairman closed the public hearing on **HB 2001**.

The Chairman opened the public hearing on:

SB 2 - Sales tax authority for Finney County cities

Proponents:

The Chairman introduced Representative Ward Loyd, Proponent (Attachment 1).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on January 27, 1999.

The Chairman introduced Senator Steve Morris, Proponent, (Attachment 2).

The Chairman introduced Jim Kaup, Proponent, representing the City of Garden City (Attachment 3).

The Chairman closed the public hearing on **SB 2**.

The Chairman noted that **SB 2** has not been assigned to the House at this time.

The Chairman opened the meeting to discussion regarding **HB 2001**.

A motion was made by Representative Aurand, and seconded by Representative Wilk, that the committee pass HB 2001 favorable for passage. Representative Vickrey made a substitute motion and seconded by Representative Osborne to pass HB 2001 out of committee favorable for passage and that the bill be placed on the consent calendar. The substitute motion carried.

The Chairman opened the meeting to bill introductions.

The Chairman recognized Representative Kirk who made a motion, and seconded by Representative Johnston, to introduce a committee bill for a sales tax exemption on motor vehicles for the first \$2,000 exempt for sales tax which targets those on low-income. Motion carried.

The Chairman introduced Mr. Bud Burke who explained bonds for financing the World of Oz project.

Representative Adkins made a motion, and seconded by Representative Gregory, to introduce a committee bill for financing the World of Oz. Motion carried.

Representative Adkins made a motion presented to him by Representative Lane, and seconded by Representative Wilk, to introduce a committee bill that state sales taxes organizations can only receive sales tax exemption if they are specifically listed as sales tax exempt, and the American Kidney Association is seeking that exemption. Motion carried.

The meeting adjourned at 9:35 a.m.

The next meeting is scheduled for January 28, 1999.

MEMORANDUM

TO: Taxation Committee

FROM: Ward Loyd

RE: Senate Bill No. 2

DATE: January 27, 1999

The City of Garden City has requested, in the form of Senate Bill No. 2, as amended, to join the ranks of 56 other Kansas municipalities which have the authority, subject to an appropriately crafted, noticed and favorable referendum vote, to levy up to an additional .75% sales tax over a period of not to exceed five years, for economic development initiatives, strategic planning initiatives, or public infrastructure projects.

Specifically, the City of Garden City desires the authority to present for voter consideration a means for financing all or a portion of the costs of (1) renovating and preserving our municipal swimming pool, locally referred to as the "Big Pool" (but which in fact and in reality is the "World's Largest, Free, Municipal, Outdoor, Concrete Swimming Pool"), and (2) participating with the local public school system in the joint development of a "fine arts" auditorium facility. These projects have been discussed at various times over the years, and are now being favorably considered by the City's Governing Body as the result of some urgency for repair, and based upon reports submitted by community planning groups.

Few Kansas communities have experienced the level of growth as has Garden City in recent years. That growth, while reflective of the progressive attitude of its citizenry, has placed a strain on the demand for community services, especially those that fall into the category of amenities, and the resources available by which such demands might be financed. The City of Garden City has a proud track record over the past 15 years of identifying and responding to community needs through a balanced tax package, including sales tax revenues. The City is fortunate that it is a regional trade center, and has seen the growth in retail sales commensurate with the growth in its population.

In recent years Garden City has utilized the authority of one of the statutes being modified by the Senate Assessment and Taxation Committee amendment to SB 2, to pay a significant portion of the costs of correcting a local highway bypass, rather than calling upon the state, through KDOT, for such funding. That project has been completed, and the authorized sales tax is fully collected and now expired. The community concerns were resolved and lives have been saved. Currently the City is participating, by pledging its share of revenue from a countywide sales tax, in a Finney County project involving a county administrative center, renovations of the county courthouse, and soon to be completed expansion of the county jail. In each instance the City has authorized the imposition a sales tax for only that period of time needed to pay the actual cost of the project for which the funds were to be used. These are the best possible examples of responsible local government, and we encourage this Committee to recognize and share the faith the citizens have placed in their Governing Body, by adopting and recommending for passage SB 2, as amended.

There is a need for acting as promptly as possible. Garden City desires to have the proposition of renovating its Big Pool on the ballot at the municipal elections this April. For that to happen the bill must receive final action, and become law via publication in the Kansas Register, within a time frame that will allow the city commission to adopt and publish the necessary ballot proposition. The original Senate Bill 2 was requested and prefiled by Senator Steve Morris, to facility timely action. To avoid the delays attendant with sending the bill back to the Senate for further consideration, we encourage the Committee to give its favorable consideration to the bill, without additional amendment.

We are aware of no fiscal impact to the state. In fact, under the statute in its continuing form, the Department of Revenue, which is responsible for the administration, collection and distribution of the proceeds of any such tax so authorized, actually collects from such sales tax revenue a reasonable fee.

On behalf of the City of Garden City, and its citizens, we thank the Committee for its favorable and timely consideration, without further amendment, of Senate Bill No. 2, as amended.

*HOUSE TAXATION
1-27-99
ATTACHMENT 1*

STATE OF KANSAS

STEVE MORRIS

SENATOR, 39TH DISTRICT

600 TRINDLE

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STATE CAPITOL BUILDING, ROOM 143-N

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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIRMAN: AGRICULTURE
SPECIAL CLAIMS AGAINST THE STATE
VICE CHAIR: ENERGY AND NATURAL RESOURCES
SRS TRANSITION OVERSIGHT
MEMBER: STATE BUILDING CONSTRUCTION
UTILITIES
WAYS AND MEANS

HOUSE TAXATION COMMITTEE

SB 2

January 27, 1999

Representative Adkins and Committee Members:

Thank you for allowing me to present these short remarks on SB 2. This is a very simple bill similar to what we have done for several other cities over the last several years.

Garden City is in need of new non-property tax revenue to reconstruct and improve its municipal swimming pool and to help equip a fine arts center that U.S.D. 457 will construct if a bond issue passes in June of this year. The municipal swimming pool cost is estimated at \$4,000,000. Of that amount, engineers say \$2,000,000 is needed for repairs that must be made if the pool is to remain open after the 1999 season.

Garden City already uses its full statutory once cent city sales tax authority. Money from that sales tax is pledged to retire street improvement bonds and also to help pay for general operating costs of the City. SB 2 would give Garden City 3/4 cent of additional sales tax authority. It is likely that only 1/2 cent will be used, and also likely that the tax will only be necessary for two years. Garden City wants to put the question of whether to impose a new City sales tax before the voters at the April 6, 1999 City Election. To do so, authority to impose the tax must be in the law by around March 1.

The counties of Reno, Lyon, Russell and Osage were amended into the bill and everything will be the same for those counties as for Finney County with the exception of Russell County. Russell County has ask for 1/2 cent rather than 3/4 cent.

Thank you very much for your consideration of this bill.

*HOUSE TAXATION
1-27-99
ATTACHMENT 2*

Y COMMISSION
Steven K. Frost
Mayor
Tim Cruz
James D. Douglass
Dennis E. Smith
Bonnie Talley

City of Garden City

Robert M. Ha
City Manager
Vincent P. DiPiazza,
Asst. City Manager
Melinda A. Hitz,
Finance Director
Randall D. Grisell,
City Counselor

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LEGISLATIVE TESTIMONY

TO: Chair Adkins and Members of the House Taxation Committee
FROM: Jim Kaup, on behalf of the City of Garden City
RE: **Senate Bill 2; Authorizing Additional City Sales Tax Authority for Garden City**
DATE: January 27, 1999

The City of Garden City requested introduction of SB 2 to amend K.S.A. Supp. 12-188 to obtain authority to exceed the City's current statutory sales tax limit (1¢) in order to fund two local projects. As introduced, SB 2 designates incorporated cities in Finney County as class D cities. The 56 cities already so classified have the authority to levy up to an additional .75¢ city sales tax, above the existing 1¢ city sales tax, subject to approval by local referendum and limited to a five-year term. As introduced SB 2 would increase the number of Class D cities in Kansas from the present 56 to 58 with the addition of Garden City and Holcomb. Senate Committee amendments would also designate cities in Reno County as class D cities and would grant special sales tax authority to Russell County. Senate floor amendments would give cities in Osage and Lyon Counties class D status. vote.

Garden City is a rapidly growing community. This growth exacts a toll on the City's financial resources. Meeting the operational and capital needs generated by growth requires significant up-front investment with the payoff to the community occurring over the long term. The City's current revenue resources -- sales tax, property tax, franchise fees, and intergovernmental revenues being the primary ones -- are doing well to keep up with fundamental needs. The City often needs to look elsewhere to find resources for local "amenities," those things that enhance the quality of life in the community.

The two projects to be funded with the additional sales tax authority are in the quality of life category. The major project is a complete renovation and enhancement of the City's municipal pool, affectionately known as the "Big Pool". The estimated cost of this project is \$4-5 million dollars. The other project is the joint development, with U.S.D. 457, of a fine arts auditorium. This is planned to be done in conjunction with a school district building expansion project, with the estimated cost of the City's share to be \$500,000. These projects total an amount that is very difficult to finance under the City's existing revenue structure. The plan is to levy the additional sales tax, subject to voter approval, at a rate of one-half percent. This would generate approximately \$2 million annually and allow for the projects to be paid for in two to three years.

House Taxation
1-27-99
Attachment 3

Daniel A. Balfa, Director of Zoo • Cynthia Beesley, Court Administrator • James H. Berry, Director of Human Resources • Bob Bluml, Golf Course Supt.
John Carr, Water/Waste Water Supt. • Steven F. Cottrell, City Engineer • Richard Craft, Electric Supt. • Sam Curran, Director of Public Works • Alan Geier, Public Grounds Supt.
James F. Hahn, Cemetery Sexton • James R. Hawkins, Chief of Police • Joel Mahnken, Director of Public Utilities • Peggy Munoz, Housing Director
James S. Neblett, Director of Planning/Community Development • Andrew D. Perry, Director of Aviation • Allen Shelton, Fire Chief • Jean E. Solze, City Clerk

Time is of the essence as the City needs to present this issue to the voters at the regular city election on April 6. Meeting the April election deadline would likely result in a higher voter turnout than would a special election and would save the cost of a special election. The City would like also to avoid conflict with bond elections that are being planned in the next year by other local governmental entities.

The City has no objection to any of the Senate amendments, so long as they do not obstruct the critical objective of having the new sales tax authority passed, and in effect, by March 1, the approximate "drop dead" date for placing the question of approval of this new sales tax on the April 6 ballot.

This is important legislation for the citizens of Garden City. The City respectfully requests favorable (and timely) Committee action on SB 2.