

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 11:15 a.m. on March 7, 2001, in Room 519-S of the Capitol.

All members were present except: Senators Goodwin, Haley, and Pugh - Excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Jeff Ollenburger, Kansas Cosmosphere & Space Center
Phillip S. Frick, Exploration Place
Lt. Governor Gary Sherrer, Secretary, Department of
Commerce & Housing
Dawn Doorn, Sedgwick County Zoo

Others attending: See attached list.

The minutes of the March 5 and 6, 2001, meetings were approved.

SB 320—Sales taxation; providing for rebates to certain not-for-profit corporations.

Jeff Ollenburger, Kansas Cosmosphere and Space Center, testified in support of **SB 320**. He noted that over the years the Cosmosphere and a variety of educational attractions have worked very hard to continue to develop the quality and scope of their facilities, and the results of these efforts have led Kansas into the national and world spot light. He explained that he represents a group of museums, attractions, and institutions which educate children of all ages, enrich the communities in which they are located, and attract visitors to the state. He emphasized that it is critical that these organizations continually invest in new programming, build new exhibits, and enhance visitor services to keep people coming back year after year. He went on to say that **SB 320**, which is based on similar Oklahoma legislation, asks the state to make a small investment in the continued growth of Kansas' educational attractions through a new funding program which would provide that the state portion of retail sales tax collected by an attraction be returned to the attraction in the form of challenge grants to be used exclusively for capital improvements and upgrades of the attraction facility. He then itemized and discussed the five criteria the facility must meet to qualify for the grant. He observed that the financial investment from the state would be minimal, but the impact on each attraction would be tremendous. He noted that it is not likely that all eligible facilities would participate because the rebate would require matching dollars and would have to be used on the specific capital improvement projects outlined in the bill. (Attachment 1)

Senator Donovan stated that he believes that the fiscal note prepared on the bill misstates what the bill does. Following discussion, it was the consensus of the Committee that a revised fiscal note is needed.

Phillip Frick, Exploration Place, testified in support of **SB 320**. He believes the bill will have a statewide impact, provide a reliable stream of funding, encourage additional support, stimulate the raising of additional monies locally, and help with capital improvements. He noted that the bill requires that the corporation provide appropriate documentation in order to obtain the funds and that the fiscal impact is estimated to be less than \$700,00 per year statewide. (Attachment 2)

Senator Taddiken noted that a definition of "public education attraction" is not in the bill. Staff agreed that the term should be defined in the bill.

CONTINUATION SHEET

Lt. Governor Gary Sherrer, Secretary of the Department of Commerce and Housing, stated that he does not oppose **SB 320**; however, he cannot not support in its current form. At the outset, he noted that the state currently contributes \$1 million in grants for tourism attraction, and he agreed that it is important to include a definition of "public education attraction" in the bill. He raised questions concerning the administration of the rebate. He called the Committee's attention to the fact that Section 1 (3) on line 29 references "the secretary," but Section 1 (1), line 19, references "the secretary of commerce," and Section 1 (2), line 23, references "the secretary of revenue." He suggested that (3) be clarified to indicate which secretary it references. He pointed out that "program development" on line 37 under capital improvements is a broad term, and the Committee should consider whether the intent of the bill is to include something that broad. With regard to line 41 which states, "The corporation shall provide an annual audit," Mr. Sherrer questioned if the audit references the corporation's own specific audit or if it references an audit of moneys it received from the state and what the money built. He also questioned whether the Department of Revenue, the Department of Commerce, or both, will review the audit. Mr. Sherrer observed that a project may cost far more than the amount of tax received annually. He questioned whether the money in hand would match the annual amount for the project or whether the sales tax continues to come in until the cost of the whole project is matched. He felt the language should be clarified to indicate how long a project can go, how long the commitment, and whether the match money comes at the front, during, or after completion.

Mr. Sherrer noted that the bill provides that the corporation must submit a form satisfactory to the Secretary of Commerce and Housing. Because there will be many different Commerce secretaries over a period of time, he feels that the language is too open ended. He also questioned whether the intent of the bill was to have someone assess the value of the project before it is approved or whether the decision of the corporation's board is sufficient reason for the Secretary's approval. From a public policy point of view, he feels that it is important to determine whether or not the Secretary of Commerce is responsible for the approval of the project. In conclusion, Mr. Sherrer urged that legislative intent be clearly defined so that the Department of Commerce can carry out the intent of the bill.

Dawn Doorn, Sedgwick County Zoo, testified in support of **SB 320**. She noted that the Sedgwick County Zoo is celebrating its 30th anniversary, that it attracts nearly 500,000 visitors annually, and that it has an annual economic impact on the state of more than \$35 million. She explained that all of the zoo's projects and programs must fit a four-fold mission of conservation, education, science, and recreation. She pointed out that the value of the zoo for its visitors keeps increasing as new exhibits are built and new animals and educational programs are added. In conclusion, she commented that zoos and other educational institutions she represents are more than attractions. They are assets that enhance the educational opportunities in the state, and the bill will strengthen the growth of these non-profit educational institutions throughout Kansas. (Attachment 3)

There being no others wishing to testify, the hearing on **SB 320** was closed.

Chairman Corbin commented that, due to the lateness of the Session, it is not probable that the House would be able to properly consider **SB 320**. He suggested that the bill be recommended for an interim study in order to give it the attention it deserves and to address the questions raised in depth.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for March 8, 2001.

Testimony of Jeff Ollenburger
Vice President, Marketing and Programs
Kansas Cosmosphere and Space Center
Senate Assessment and Taxation Committee
March 7, 2001

Good morning and thank you for the opportunity to come before you today on behalf of exciting legislation that will have a significant impact on tourism in the state of Kansas.

My name is Jeff Ollenburger and I am vice president of the Kansas Cosmosphere and Space Center in Hutchinson. During the past 20 years the Cosmosphere has evolved into one of the most visible and well-attended educational attractions in the central United States. It is a facility that proves that this state can build attractions that can compete on the national and international level to bring much needed exposure and tourism dollars to our economy.

Over the years, the Cosmosphere has been joined by a variety of outstanding educational attractions. The Sedgwick County Zoo in Wichita has developed a well-deserved international reputation. The new Sternberg Museum in Hays has opened the eyes of the world to the extraordinary ancient history of this state and Exploration Place in Wichita has truly brought pride to Kansas as one of the finest science centers ever built. In addition, numerous attractions throughout the state—ranging from the smallest historical museums to our zoos, nature centers, aviation museums, historic sites and cultural facilities—have worked very hard to continue to develop the quality and scope of their facilities.

The results of these efforts have led Kansas out of the “dark ages” of tourism and into the national and world spotlight. During the past decade, one of the most positive and consistent economic surprises has been the development of our attraction resources. It should not be forgotten, however, that the development of the \$3 billion-plus industry has been done primarily on the backs of the state’s diverse family of attractions.

Today, however, I am here representing a larger group of museums, attractions and institutions. A group that, day in and day out, serves to educate children of all ages, enrich the communities in which we are located and attract visitors to the state of Kansas and our cities. This group is not only the leader in non-traditional education, but also the backbone of tourism in our state. As the core infrastructure of tourism, it is critical that our organizations’ continually invest in new programming, build new exhibits and enhance our visitor services to keep the people coming back year after year.

Every facility across the state makes significant investments in improving themselves each year. The Cosmosphere, for example, has embarked on an aggressive multi-year exhibit and restoration program that has seen the restoration of Liberty Bell 7 completed and new galleries on the subject of the Cold War and the Apollo missions to the Moon

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developed. In every instance, new exhibits and new programs bring new people and new exposure to the state.

Senate Bill 320, which is loosely based on similar legislation in Oklahoma, asks the state to make a small investment in the continued growth of our educational attractions through a new funding program. Senate Bill 320 is not asking for a handout, but rather the creation of a partnership between the state and local attractions to improve the infrastructure of tourism in Kansas.

Currently, all non-federal, non-profit public attractions in Kansas collect state and local sales tax on retail sales, including admissions, gift shop sales, concessions and certain non-school programs. Senate Bill 320 proposes that the state initiate a program allowing for the return of the state portion of retail sales tax collected by the attractions, back to the attraction, in the form of challenge grants to be used exclusively for capital improvements and upgrades of the attraction facilities. To qualify for these grants, the attraction must meet the following criteria:

1. Be a registered Kansas non-profit entity that meets federal IRS requirements of a 501(c)(3) organization.
2. Be a recognized educational attraction as mandated in its formal mission statement.
3. The institution must demonstrate the capability of investing their own share of matching funds to the facility enhancement equal to at least 50 percent of the total funds returned by the state. For example, if the state returns \$50,000 in collected sales tax to a facility, that institution must demonstrate the capability of matching it with at least \$25,000 of its own money. The matching funds can be of any form including other outside grants, contributions, local tax support and general operating funds but not including other state support.
4. Funding will be used only for capital improvements that will directly enhance the facility as a public educational attraction. The funds could not be used for general operating expenses such as salaries, utility bills, and routine maintenance.
5. The institution must be willing to provide to the state an audited financial statement each year it receives funding from this program to demonstrate the funds were used in accordance to the state's approved statute of requirements that govern this program. If the organization does not normally conduct an annual audit then a more limited evaluation called an "Agreed Upon Procedures Limited Audit" will be allowed.

We believe that the financial investment from the state would be minimal, but the impact to each attraction would be tremendous. Nearly every county in the state has at least one attraction that would qualify for this program, making this a bill of statewide importance. We also believe that this rebate program will positively affect

sales tax collection throughout the state, as new people to the attractions bring new people to our hotels, restaurants and retail outlets.

We have done some calculations and believe that the total amount rebated back to all the attractions would be no more than \$700,000. However, because the rebate would require matching dollars and would have to be used on specific capital improvement projects as outlined in the bill, it is likely that not all facilities eligible would participate. But, even if we are looking at the maximum amount, keep in mind, for this money to be released, a match equaling at least half must be met, making this \$700,000 commitment a \$1,050,000 investment in tourism.

In closing, we believe that Senate Bill 320 is a “win, win, win” situation. The educational attraction “wins” with consistent support from the state. The state “wins” by reimbursing minimal funds for maximum impact. And finally, visitors to the state “win” by being entertained, educated and inspired in new and innovative ways keeping the image of Kansas and its commitment to tourism forefront in people’s minds.

At the conclusion of the presentations this morning I know I and the others would be more than happy to field any questions you may have.

Thank you.

March 6, 2001

Senate Assessment and Taxation Committee
State House
Topeka, Kansas

RE: Senate Bill 320

Dear Ladies and Gentlemen:

We seek your support for Senate Bill 320 providing for rebates of sales tax for certain not-for-profit corporations. Succinctly put we believe this is appropriate legislation for the following reasons.

- A. **State Wide Impact.** The Bill will have state-wide impact as there is most likely a qualifying not-for-profit corporation in every county of the State.
- B. **Reliable Funding.** The Bill would provide a reliable stream of funding for these institutions.
- C. **Encourage Additional Support.** Such funding enhances the ability of these institutions to provide the special exhibits and programs that, in turn, generate the enthusiasm for additional private support, e.g. such exhibitions as "Sue" at the Sternberg Museum.
- D. **Matching Required.** The Bill further requires that the institution provide matching funds for these rebated taxes. Thus, stimulating the raising of additional monies locally.
- E. **Restricted Use.** The monies are required to be spent for capital improvements and not for general operating expenses or routine maintenance.

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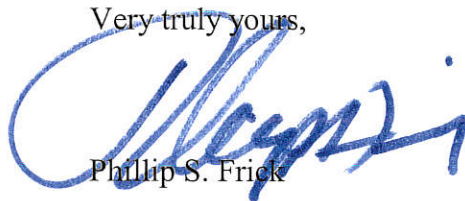
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- F. **Documentation Required.** The Bill requires that the corporation provide appropriate documentation to the Secretary of Revenue in order to obtain the funds.
- G. **Minimal State Fiscal Impact.** The overall impact is estimated to be less than \$700,000 per year state-wide.

Given all of the foregoing positive reasons to support this legislation we urge its support.

Very truly yours,



Phillip S. Frick

PSF/cm

SENATE BILL No. 320
Comments by Dawn G. Doorn, Development Director
Sedgwick County Zoo
Senate Assessment and Taxation Committee
March 7, 2001

Sedgwick County Zoo in Wichita, Kansas, is celebrating its 30th anniversary in 2001. The Sedgwick County Zoological Society, Inc., a not for profit charitable, educational and scientific organization was chartered by a group of community leaders in 1963 to foster public support and interest in a new zoo. Since the Sedgwick County Zoo opened in 1971, more than ten million visitors have entered its gates for a fun educational experience. From the start, the Zoo has operated successfully as a public/private partnership through which more than 50% of operational support comes from the private sector.

The Sedgwick County Zoo attracts nearly 500,000 visitors annually. More people visit the Zoo each year than there are residents who live in Sedgwick County. According to the Kansas Department of Economic Development, the Zoo is the most popular family attraction in Kansas. The Zoo's audience – like most zoos - is diverse. Sedgwick County Zoo's attendance represents most of the 105 Kansas counties, all fifty states and several foreign countries. According to the Research Center of Wichita, the Zoo ranks first in "top-of-mind awareness" compared to 16 other area attractions, and has an annual economic impact on our state of more than \$35 million.

With 2,590 animals of 473 different species, and 13,000 botanical specimens representing 468 species, the Zoo is a leader among the 184 accredited American zoological institutions. The Zoo's development of new exhibit areas, growth in collections, increase in membership and attendance, are reflective of the continued support from the community and the positive relationship between a board of private citizens and a governmental entity which have been strengths of the institution from the very beginning.

Zoo Director, Mark Reed, is famous for saying "zoos are a reflection of their community." Support from our community, from private industry and individuals, keeps our Zoo growing stronger every year. With more than 50% of the annual revenues being generated by the Zoological Society, the dollars raised by this not-for-profit partner are prudently used for continued development of the Zoo – infrastructure repairs, education programs and new exhibits. All of these programs enhance the community and fuel the economy.

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Recent developments illustrate the successful public and private partnership and the impact of capital improvements. In May 2000, the Sedgwick County Zoo's new *Pride of the Plains* opened. This incredible new home for lions, warthogs, meerkats and African hunting dogs, was funded by a \$1.5 million gift from the Junior League of Wichita in celebration of their 75th anniversary and as a gift to the community. The public responded immediately to the increased media attention and much-anticipated opening. The Zoo set two new attendance records, and a fabulous photo of the exhibit was featured in newspapers from England to Japan.

When the Zoo opened the *Koch Orangutan & Chimpanzee Habitat* in 1996, similar results occurred. This \$1.3 million dollar exhibit was 70% funded by the private sector and the major donor funded a television commercial promoting the new exhibit. As a result of a quality new exhibit and donated advertising, the Zoo set new attendance records for five months following the opening.

In 2000, the Sedgwick County Zoo also opened a \$2.1 million Moore/Oliver Zoo Animal Hospital, funded primarily with private dollars. Over the next 20 years, the Zoo's plan for expansion and renovation is estimated to total \$30 million at today's dollars. The quality of our recent improvements not only attracts visitors but also attracts more funding for these future Zoo projects.

All projects and programs must fit our four-fold mission of conservation, education, science, and recreation. We take our mission seriously, knowing we may be the vehicle for changing attitudes about the proper care of animals and the environment. Zoos in fact shy away from using the word "entertainment," and often refer to the fun activities as "edutainment" in a concerted effort to focus on the educational message or purpose behind the activity.

The educational, recreational and cultural value of our Zoo, of the twelve Kansas zoos, is difficult to quantify in dollars and cents. The value of a zoo for its visitors keeps increasing as new exhibits are built and new animals and educational programs added. Zoos offer edutainment. Zoos foster appreciation, understanding, respect and wonder for wild creatures everywhere.

Zoos, other museums and institutions I humbly represent today are much more than attractions. They are assets that enhance the educational opportunities and the quality of life in our communities. I urge your support of this important legislation that will strengthen the growth of non-profit educational institutions throughout Kansas.