

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 1:40 p.m. a.m. on April 30, 2001, in Room 519-S of the Capitol.

All members were present except:

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: Kim Wilcox, Executive Director, Kansas Board of Regents
Ed McKechnie, Watco Companies, Inc.
Doug Wareham, Kansas Grain and Feed Association
Joe Lieber, Kansas Cooperative Council
Leslie Kaufman, Kansas Farm Bureau
John Rosacker, Kansas Department of Transportation
Mark Beck, Director, Property Valuation Division

Others attending: See attached list.

HB 2569—Allowing tax credits for donations to the Kansas Board of Regents.

Kim Wilcox, Executive Director, Kansas Board of Regents, testified in support of **HB 2569**. He explained that the bill provides a plan for tax credits for the Kansas Regents Foundation and that this proposal is part of a larger plan the Board has undertaken for the past several months. He reminded the Committee that, as of July of 1999, the Board of Regents was reorganized under **SB 345**, and the Board has interpreted the mandate under that bill to be a broad mandate to be creative and innovative in all facets of post secondary education. As part of the plan, the Board has taken upon itself to be creative in approaching its financing endeavors. He went on to say that, under **SB 345**, there is an expectation that the Board will create a comprehensive plan for state post secondary education, and the Board has been raising private funds to fund that plan. Similarly, the Board has decided to create an independent private foundation and is asking the state to partner the Board and the federal government in funding the foundation. In this regard, Mr. Wilcox explained that the Kansas Regents Foundation was conceived as an operation that would be noncompetitive with the state's institutional foundations and endowment associations at the community college and university level. A fundamental piece to that level of noncompetitiveness is that the Kansas Regents Foundation would not be an operation that would hold endowment funds over a long period of time to build a principle and generate earnings. Instead, the foundation would be a repository for annual deposits to be invested directly into regents institutions in the form of technology investments, created partnership investments, and, hopefully, student financial aid when funds are available.

Mr. Wilcox noted that the funding process proposed in **HB 2569** is largely dependent on state tax credits. For example, if a donor is willing to donate \$1.5 million to the Kansas Regents Foundation, the foundation will offer \$1 million in state tax credits to the donor. At the same time, as a charitable donation, the donor could claim the donation on their federal income tax and receive a 33 percent deduction, which would cover the remaining \$500,000 of the donation. Mr. Wilcox, pointed out that the regents would receive \$1.5 million which could be invested in technology on 36 campuses, but it would cost the state only \$1 million. In addition, he pointed out that the House amended **HB 2569** to remove a \$10 million limitation on the amount of credits given a fiscal year and moved the obligation for the credits to the Board of Regents. With the amendment, the appropriations from the State General Fund to the State Board of Regents would be reduced by the amount of credit claimed for the prior tax year.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 1:40 p.m. a.m. on April 30, 2001, in Room 519-S of the Capitol.

There being no others wishing to testify, Chairman Corbin closed the hearing on **HB 2569** and called the Committee's attention to a memorandum from the Kansas Department of Revenue concerning the administrative costs. (Attachment 1) Richard Cram, Kansas Department of Revenue, stood to inform the Committee that the estimated administrative cost is \$129,000 and that there would be a one-time fiscal impact to the state because the amount of credits claimed for the first year will not be known until one to two years later, and an adjustment in the appropriations would not be made until that time.

HCR 5032—Approving the creation of the City of Pittsburg, Kansas, Port Authority.

Ed McKechnie, representing Watco Companies, Inc., testified in support of **HCR 5032**. He referred to copies of a power point printout relating to his testimony (Attachment 2). In addition, he called attention to copies of an overview of the Watco Companies he submitted for informational purposes. (Attachment 3) Referring to a large map, he noted that Watco owns the South Kansas and Oklahoma Railroad (K&O), which runs from Pittsburg in the east to Winfield at the western end of their line. It also runs from Humboldt in the north down south through Emporia and on to Tulsa, Oklahoma. On April 2, 2001, Watco bought the Central Kansas Railroad, which operates from Wichita to the Colorado border and also from Salina to Osborne to Pratt and on to Protection.

Mr. McKechnie explained that **HCR 5032** is an attempt to mirror the action taken regarding the Kyle Railroad by the Midstates Port Authority, which was created when the Rock Island Railroad went bankrupt in 1979. He went on to explain that Watco is a nationwide company with headquarters in Pittsburg, Kansas, and locations in 17 states spanning from Washington to Florida; however, it is a Kansas company first. He emphasized that the focus of Watco's mission statement is on customer service. He explained that Watco is primarily agricultural, but it has a 40 percent base of industrial commodities. Currently, K&O has acquired locomotives with additional horsepower to ensure that it can serve its customers in central and western Kansas as the movement of grain in these areas is a critical portion of its operational and customer success.

Mr. McKechnie noted that one of the most important policy issues for the rail industry and its customers is track abandonments and that an 18 month moratorium on track abandonment was recently announced by K&O. The intent of the moratorium is to allow policy makers from local, state, and national levels to join forces to preserve this key central and western Kansas transportation corridor. **HCR 5032**, would authorize the creation of a port authority, which will provide \$3.677 million in capital improvements through property tax abatements. He explained further that, in order to provide an additional \$6.1 million in capital improvements, additional authority is needed to provide for refundable income tax credit for Class III railroads operating a port authority owned track, and this proposal is contained in **HB 2586**. Mr. McKechnie said that the overall impact on the state if the rail line is abandoned is \$179 million. He noted that the Kansas Department of Transportation estimates that, for every dollar the state spends on the rail line, \$53 in benefit will be received back. Watco has agreed to put an "Evergreen" service agreement in place wherein Watco agrees to file an annual operating, marketing, and maintenance plan with the state every January and to be subject to arbitration if they do not meet the terms of the agreement. In addition, Watco will be fined \$1,000 a day if they violate the agreement. Mr. McKechnie emphasized that abandonment of approximately 700 miles of track in need of repair will be necessary if **HCR 5032** and **HB 2586** are not passed.

Doug Wareham, Kansas Grain and Feed Association, testified in support of **HCR 5032**. The Kansas Grain and Feed Association supports the continuation of rail service to all current service points where past use has been demonstrated and the need for continued service is exhibited. The Association believes that passage of **HCR 5032** would help facilitate maintaining rail service to the many Kansas rural communities served by the lines the Watco Companies recently purchased. (Attachment 4)

Joe Lieber, Kansas Cooperative Council, testified in support of **HCR 5032**, which he believes was designed to ensure the continuation of rail service to numerous western, central, and southeastern communities in Kansas. He noted that the agricultural community has been extremely concerned about the deterioration of rail lines and service provided by the Central Kansas Railway. The purchase of these rail lines by Watco Companies provides a new opportunity for rehabilitation and continued operation of rail lines that were facing

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 1:40 p.m. a.m. on April 30, 2001, in Room 519-S of the Capitol.

abandonment. Mr. Lieber called attention to a list of agricultural shippers that are dependent on the service of the recently formed K&O Railroad. He maintained that maintenance of these rail lines is important for economic development in rural communities, for maintaining a market for Kansas grown commodities, and for reducing taxpayer costs associated with road and highway maintenance. (Attachment 5)

Leslie Kaufman, Kansas Farm Bureau, testified in support of **HCR 5032**. At the outset, she informed the Committee that Kansas Farm Bureau is one of 20 organizations that belong to the Kansas Agricultural Alliance, which also supports the resolution. She emphasized that maintaining efficient and effective rail service in Kansas is extremely critical to the Kansas agriculture industry. The Farm Bureau supports the concept that carriers should not be permitted to easily abandon existing lines. According to the transportation policies adopted by the Farm Bureau, the state should provide tax incentives and other appropriate assistance to railroad companies that agree to upgrade rail lines and provide long-term service to shippers. (Attachment 6)

John Rosacker, Kansas Department of Transportation, testified in support of **HCR 5032** on behalf of the Secretary of Transportation, who testified in support before the House Taxation Committee. Mr. Rosacker said the Department supports passage of this port authority resolution as it is the best possible way to save rail service and to stop the abandonment of lines in the state.

Mark Beck, Director, Property Valuation Division, distributed a list showing how the proposed property tax exemption would affect Kansas counties. (Attachment 7) He discussed how, in theory, there could be an operation on an exempt track that would still be subject to property tax. In his opinion, before structuring the new company, Watco should discuss the details with him to ensure that the intent of the legislation will be carried out. Mr. Beck believes that the issue is not as clean and clear cut as it is expected to be. However, he assured the Committee that, should the resolution pass, the Division will work with Watco and the port authority as it comes into existence to make certain that the intent of the legislation is carried out as close as it can be carried out.

There being no further time, the hearing on **HCR 5032** was closed. Due to the lack of sufficient time, the scheduled hearing on **HB 2586**, which would provide an income tax credit for payments to port authorities, was delayed to an unspecified time.

The meeting was adjourned at 2:30 p.m.

The next meeting time and place is to be announced.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: April 30, 2001

NAME	REPRESENTING
Richard Cunn	KDOR
Ann Durkes	DOR
Kim Wilcox	KDOR
Mark Beck	KDOR
Robert M. Bedersich	KDOR
John Jay Rosacker	KDOT
John Maddox	KDOT
Ed McKeown	WATCO
Chuck Stokes	KBA
Kevin Davis	Am. Family Ins
David Hanson	Ks Insur Assns
Chris Collins	KAMMCO
BUD BURKE	CESSNA AK
PAT HURBELL	KANSAS RAILROADS
Bill Brady	Ks Gov't Consulting
GEORGE PETERSEN	Ks Taxpayers Network
John Truick	The Boeing Company
Opelle Clark	Allmark Cools Inc
Patricia Bright	WIBA

MEMORANDUM

To: Mr. Duane Goossen, Director
Division of Budget

From: Kansas Department of Revenue

Date: 04/30/2001

Subject: House Bill 2569
Amended by House Committee

Brief of Bill

House Bill No. 2569, *as amended*, would provide a new credit for donations to the Kansas Regent Foundation and modify K.S.A. 2000 Supp. 79-32,117 to include an add back modification.

Section 1 of the bill would allow a non-refundable tax credit against a taxpayers' income, premiums or privilege tax liability in an amount equal to two thirds of the amount of contribution donated to the Kansas Regents Foundation commencing after December 31, 2000. The credit allowed in this section cannot exceed the amount of income, premiums or privilege tax imposed reduced by the sum of any other credits allowable pursuant to law. ~~The maximum total amount of credits allowed for any one fiscal year is \$10 million.~~ *The introduced bill would limit the amount of credits claimed in a given fiscal year to \$10 million. The House Taxation Committee struck that limitation and inserted the provision seeking to reduce the appropriations to the State Board of Regents by the amount of credit claimed for The prior tax year.*

Section 2 of the bill modifies K.S.A. 2000 Supp. 79-32,117 to add the amount of contribution to Kansas Regent Foundation back to the federal adjusted gross income.

Section 3 and 4 repeal the previous versions of statutes affected by the bill and provide that the bill shall be effective after publication in the Kansas statute book.

Fiscal Impact

The bill would allow a non-refundable tax credit against a taxpayers' income, premiums or privilege tax liability in an amount equal to two thirds of the amount of contribution donated to the Kansas Regents Foundation. The Department has no data to estimate the amount of credits allowed each year. However, since the taxpayers who make such contribution can get two thirds of the contribution back from the state in the form of tax credits and some additional money back from the federal government because of the federal adjusted income add-back provision, and since there is no ceiling in the amount of contribution and credit allowed by any taxpayer, we

Senate Assessment + Taxation
4-30-01
Attachment 1

expect the impact on the state general fund to be large for FY 2002 and later.

The House Committee on Taxation amendment would reduce the appropriations to the State Board of Regents by the amount of credit claimed for The prior tax year. Since the bill will be effective in tax year 2001, the information regarding the total amount of the credit allowed will not be available until Fiscal Year 2003. Thus the appropriations to the State Board of Regents will not be reduced in FY 2002, and the bill's intention of fiscal neutrality will not be achieved in FY 2002.

Summary: The bill would be expected to reduce the state general fund revenues by a significant amount beginning in FY 2002. Appropriations to the State Board of Regents will be reduced by the same amount beginning in FY 2003, due to the delay of credit information.

Administrative Impact

House Bill No. 2569, as amended, would provide a new credit for donations to the Kansas Regent Foundation. There are currently about 16 different types of credits that a corporate taxpayer or a privilege filer can claim. The department currently captures these credits information manually and enters the information into Excel spreadsheets. As new credits are added to the credit schedule in the corporate tax packet, the burden to the department to process these credits would certainly increase. The department thus proposes to implement a new ATP/Channel system that would capture those individual credits information automatically. The department would provide a 3-tiered estimate on administrative impact of the bill: 1) to automate the system using outside contract rates, 2) to automate the system using in-house programmer rates and 3) to continue with manual tracking of credits. The administrative cost associated with the implementation of the bill and the implementation of the system change would be of the following:

- 1). To automate the credit processing and to accommodate auditing and reporting requirements, the K-40, K40X, K-120 and K-130 Credits Schedule will need to be captured in Channel and ATP. GUI changes for Channel and ATP will need to be made. A new Credits Schedule will need to be developed and attached to the K-40, K-40X, K-120 and K130 and captured in Channel and ATP along with GUI changes to Channel and ATP.

Costs outlined below represent IS personnel costs required to implement the required changes through development, design/coding and testing (unit and support of customer for user testing):

I). Using Contract Labor With Data Capture

A). ATP:

1. Add a line to the K130 Privilege Tax Return

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

ATP Development - 1 1/2 person months (1 APA III)
ATP Developer Unit Test - 1 person month (1 APAlII)

ATP: 1 APAlII @ 2 1/2 person months \$50,000

2. New (data-captured) Individual Income Tax Credit Schedule to be filed with K40 and K40X

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

ATP Development - 5 person months
ATP Testing - 2 person month

1 APA III @ 7 person months \$140,000

3. To accommodate auditing and reporting requirements, and also to ensure that the total credit limit for the year is not exceeded, the K120 Part 1 (Nonrefundable and Refundable Credits) must be data-captured.

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

ATP Development - 5 person months	
ATP Testing - 2 person month	
ATP: 1 APAIII @ 7 person months	\$140,000
TOTAL ATP Contract COST	\$330,000

B). Channel:
Costs to implement

Includes:

Changes to K40 and K40X to add an additional credit schedule - development of new GUI's detail tables, edits and Channel/ATP interface. (2 forms @ 4 months = 8 months)
Changes to Telefile Loader to accommodate new credit schedule from PC File and Telefile system. (1 Loaders @ 2 months = 2 months)
Changes to the Efile Loader system to accommodate the new credit schedule. (1 Loaders @ 2 months = 2 months)
Changes to K120, K120X, K130, and K130X to add an additional credit schedule - development of GUI's detail tables, edits and Channel/ATP interface. (4 forms @ 4 months = 16 months)

Channel Changes 28 APA III person months	\$ 560,000
C). Telefile system: GovConnect	\$7,000
Total Contract Labor Cost for HB2569j	<u>\$917,000</u>

II). Using In-House Labor

A). ATP:

1. Add a line to the K130 Privilege Tax Return

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

ATP Development - 1 1/2 person months (1 APA III)
ATP Developer Unit Test - 1 person month (1 APAIII)

ATP: 1 APAIII @ 2 1/2 person months	\$10,244
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2. New (data-captured) Individual Income Tax Credit Schedule to be filed with K40 and K40X

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

ATP Development - 5 person months

ATP Testing - 2 person month

1 APA III @ 7 person months \$28,683.20

3. To accommodate auditing and reporting requirements, and also to ensure that the total credit limit for the year is not exceeded, the K120 Part 1 (Nonrefundable and Refundable Credits) must be data-captured.

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

ATP Development - 5 person months

ATP Testing - 2 person month

ATP: 1 APAIII @ 7 person months \$28,683.20

Total ATP In-House COST \$67,610.40

B). Channel:

Costs to implement

Includes:

Changes to K40 and K40X to add an additional credit schedule - development of new GUI's, detail tables, edits and Channel/ATP interface. (2 forms @ 4 months = 8 months)
Changes to Telefile Loader to accommodate new credit schedule from PC File and Telefile system. (1 Loaders @ 2 months = 2 months)
Changes to the Efile Loader system to accommodate the new credit schedule. (1 Loaders @ 2 months = 2 months)
Changes to K120, K120X, K130, and K130X to add an additional credit schedule -

development of GUI's, detail tables, edits and Channel/ATP interface. (4 forms @ 4 months = 16 months)

Channel Changes 28 APA III person months \$ 114,732.80

C). Telefile system:
GovConnect \$7,000

Total In-House Labor Cost with Data Capture \$189,343.20

III). Using In-House Labor With No Data Capture

A). ATP:

1. Add a line to the K130 Privilege Tax Return

Includes:

- RP - Edits
- TA - Edits & Accounting Rules
- RA - possible Revenue Accounting edits
- REO - refundable credit edits, rules
- CNL - Adjustment letter template additions
- GUI - New Window
- Reference data additions
- Database Schema changes & additions

ATP Development - 1 1/2 person months (1 APA III)

ATP Developer Unit Test - 1 person month (1 APA III)

ATP: 1 APA III @ 2 1/2 person months \$10,244

2. Reference Data Changes Only (to cause all K40 returns claiming a nonrefundable credit to worklist and manually capture credit information.)

I.S. Development (1 APA III) - 1 person week

I.S. Testing (1 APA III) - 1/2 person week

I.S. ATP Cost: \$1,536.60

3. Reference Data Changes Only (to cause all K120 returns claiming a nonrefundable credit to worklist and manually capture credit information.)

I.S. Development (1 APA III) - 1 person week

I.S. Testing (1 APA III) - 1/2 person week

I.S. ATP Cost: \$1,536.60

TOTAL ATP In-House COST \$13,317.20

B). Costs to implement

Includes:

Changes to Schedule S, K130, and K130X. Addition of one line to these forms - changes to GUI's detail tables, edits and Channel/ATP interface. (3 forms @ 2 months = 6 months)

Changes to Telefile Loader to accommodate new column from PC File and Telefile system. (1 line @ 1 loader = 1 month)

Changes to Efile Loader to accommodate new column on K40. (1 line @ 1 loader = 1 month)

Channel Changes 8 APA III person months \$ 32,780.80

Total Channel Costs \$ 32,780.80

C). Telefile system:

GovConnect \$7,000

Total In-House Labor Cost With Manual Tracking \$53,098

2). The administrative costs to test implementation for user involvement in supporting the new system change(s) are of the following:

I. Automating the credits:

A). ATP/ACM/Channel/Integration testing:

1). Add a line to the K130 Privilege Tax Return

Includes:

RP - Edits

TA - Edits & Accounting Rules

RA - possible Revenue Account edits

REO - refundable credit edits, rules

CNL - Adjustment letter template additions

GUI - New window

Reference Data additions

Database Schema changes & additions

2). Add a line to the K120 Corporate Schedule:

Includes:

RP - edit changes/additions

TA - Edit changes or additions

REO - refunds/external offsets edit changes or additions

CNL - Adjustment letter template changes or additions

GUI changes or additions

Reference data changes or additions

Database Schema changes or additions

- 3). New (data-captured) Individual Income Tax Credit Schedule to be filed with K40 and K40X

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

- 4). Channel System changes:
Channel/ATP Interface
Channel Loader (Telefile/Pcfile/Efile)
Channel edits
Channel Gui

Channel System Testing

5 person months (MSAI)

ATP/ACM System Testing

4 person months (MSAI)

Integration/User Acceptance Testing

6 person months(MSAI)

Total Test:

15 person months

Total Test Cost:

\$59,000

- B). To accommodate auditing and reporting requirements, and also to ensure that the total credit limit for the year is not exceeded, the K120 Part 1 (Nonrefundable and Refundable Credits) must be data-captured.

Includes:

RP - Edits
TA - Edits & Accounting Rules
RA - possible Revenue Accounting edits
REO - refundable credit edits, rules
CNL - Adjustment letter template additions
GUI - New Window
Reference data additions
Database Schema changes & additions

Channel System changes:

Channel/ATP Interface

Channel Loader
Channel edits
Channel Gui

Channel System Testing

5 person months (MSAI)

ATP/ACM System Testing

4 person months (MSAI)

Integration/User Acceptance Testing

6 person months(MSAI)

Total Test: 15 person months

Total Test Cost: \$59,000

Total Testing Cost for User Involvement if Automating the Credit: \$118,000

II. Manually Capturing the Credit:

A). Reference Data Changes Only (to cause all K40 returns claiming a nonrefundable credit to worklist and manually capture credit information.)

ATP/ACM System Testing

1 person week (MSAI)

Integration/User Acceptance/Regression Testing

1 person week (MSAI)

Total Test: 2 person weeks

Total Test Cost: \$1,790

B). ATP/ACM System Testing

1 person week (MSAI)

Integration/User Acceptance/Regression Testing

1 person week (MSAI)

Total Test: 2 person weeks

Total Test Cost: \$1,790

Total Testing Cost for User Involvement if Manually Processing the Credit: \$3,580

Costs outlined above represent Testing personnel costs required to implement the required changes through System, Integration and User Acceptance Testing of Channel, ATP and ACM systems. In addition to these costs, there would be costs incurred with Vendor testing for the correspondence.

Passage of this bill require the following costs **regardless** of whether the Department will automate the credit processing or manually track the credit:

3). Changes to IP and K40X instructions regarding credit and modification. (These instructions are changed anyway due to year changes so there will be no additional costs associated with this credit alone.)

4). Corporate Credit Schedule will need to have a new line (again, this schedule will be

revised and printed due to year changes so no additional costs for this credit) and captured in Channel and ATP. A new Credit Schedule for the K-40 will need to be designed, cost estimated - \$500.00

- 5). Changes to credit database if existing procedures are used and the cost can be absorbed.
- 6). Changes to outbound correspondence.
- 7). 0.5 FTE Wage Earner CR I - Estimated Salary \$17,077.50, Imaged Enabled Workstations - \$5,550.00, Telephone line/Data Connect Fee - \$820.00.

One additional FTE CR III in CR to monitor and review modifications and credits, estimated salary - \$42,494.00, Imaged Enabled Workstations - \$5,550.00, Telephone line/Data Connect Fee - \$820.00.

Summary:

Total administrative cost would be \$1,107,811.50, with recurring cost at \$59,571.50 if using contract labor and tax credits are data captured; Total administrative cost would be \$380,154.70, with recurring cost at \$59,571.50 if using in-house labor and tax credits are data captured; Total administrative cost would be \$129,489.50, with recurring cost at \$59,571.50 if continuing to track credits manually.

Administrative Problems and Comments

Is the contribution limited only to cash donations?

Will there be some written verification from the Kansas Regents Foundation that contributions were actually made? Kansas Regents Foundation could provide a letter to the taxpayer thanking them for the contribution, the amount of the contribution, and letting them know that they will qualify for an income tax credit. A copy of this letter could then be attached to the income tax return when the taxpayer files providing the documentation needed to allow the credit.

Taxpayer/Customer Impact

This bill, if enacted, would promote contributions to the Kansas Regents Foundation.

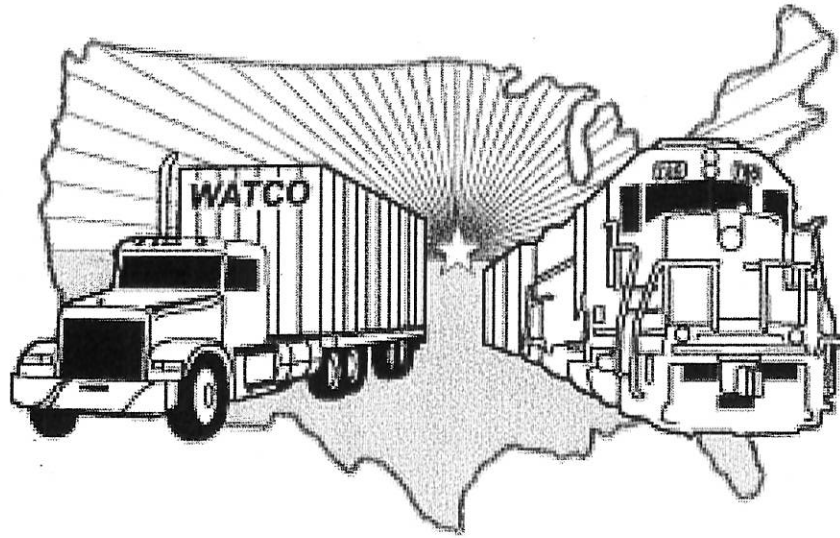
Legal Impact

We would suggest to clarify subsection 2(b)(xi) to make it clear that the add-back to federal adjusted gross income is for deductions made on the taxpayer's federal return for the same contribution they intend to get a credit for on their state return.

Approved By:



Stephen S. Richards
Secretary of Revenue



WATCO

COMPANIES, INC.

"Your Transportation Specialists"

315 West 3rd Street

Pittsburg, KS 66762

620-231-2230

www.watcocompanies.com

*Senare Assessment + Taxation
H-30-01
Attachment 2*

Watco Companies, Inc

■ Mission Statement

Watco Companies, Inc. will provide the best transportation related services to our customers in the most efficient manner possible. We will provide an environment that allows our companies and our people to improve and grow, passing on to the future generations a company with an outstanding reputation for customer service, profitability and quality.

■ Watco Companies, Inc was started in 1983 by Charles R. “Dick” Webb.

The first operation was an industrial switching operation in DeRidder, LA that is still in existence today.

Coffeyville, KS was our next expansion with a car repair facility. This then expanded into the shortline railroad business connecting Coffeyville to the KCS in Pittsburg, the BNSF, and UP.

Our focus for growth has been singularly focused on customer satisfaction.



WATCO COMPANIES

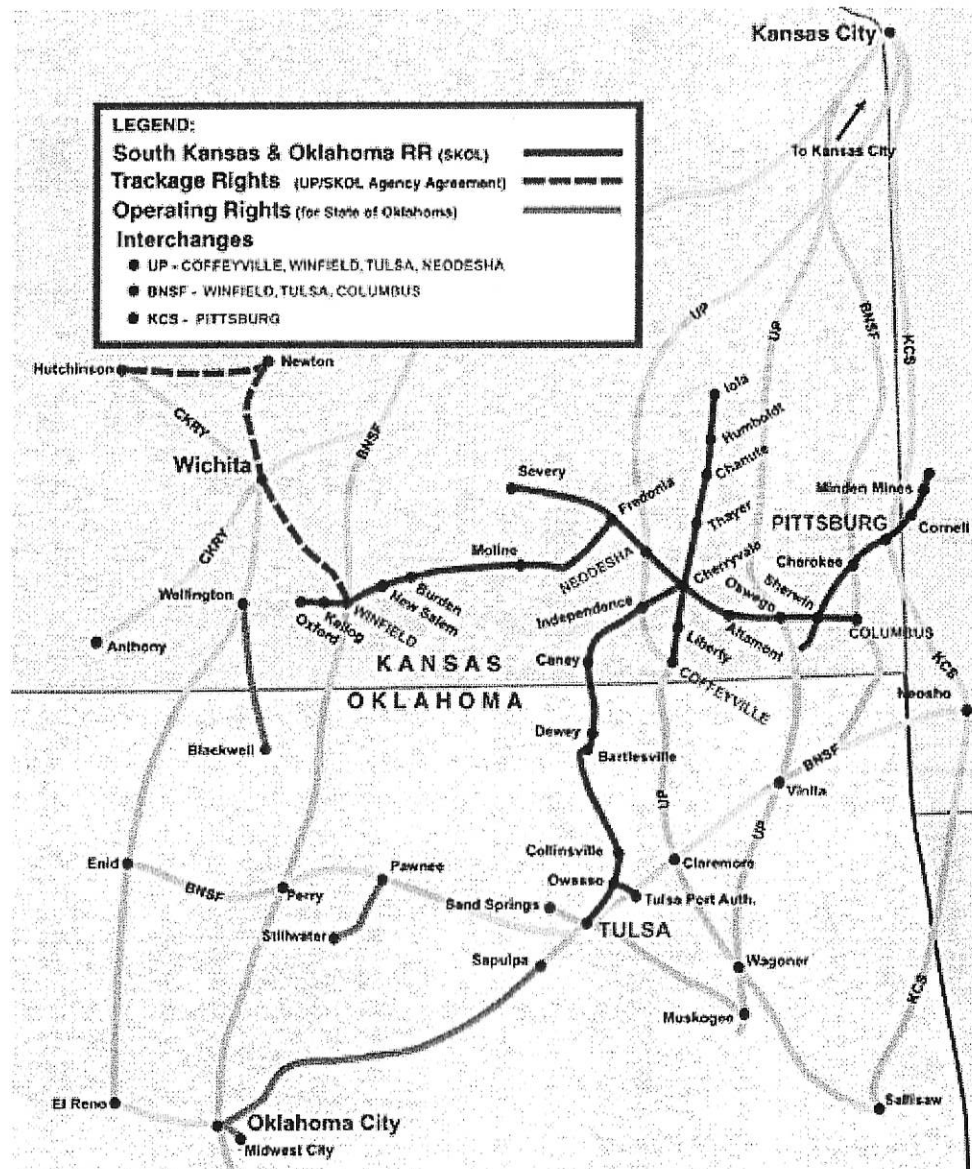
**Watco Companies, Inc. has locations in 17 states spanning from
Washington to Florida.**

Railroads Operations

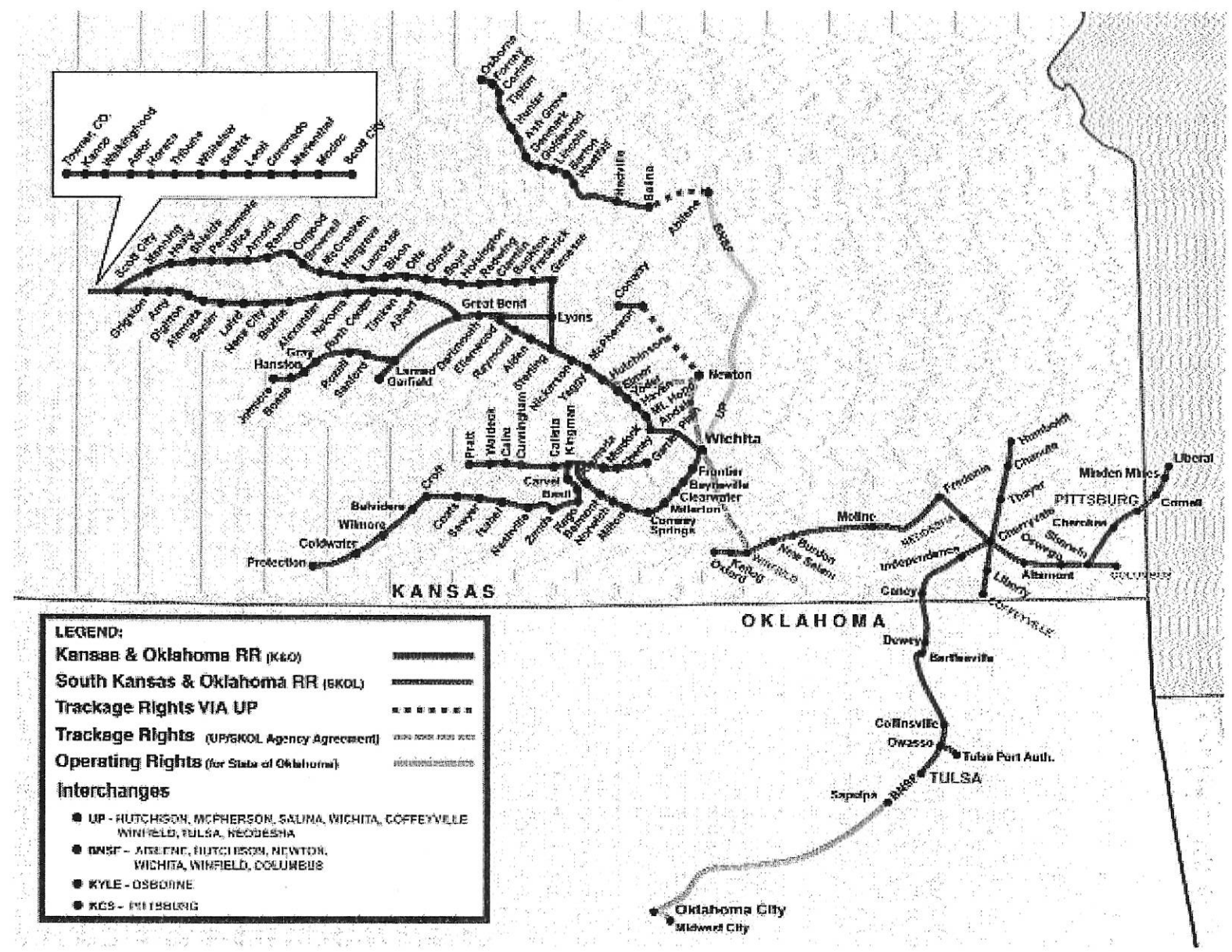
- Eastern Idaho Railroad
 - ◆ Twin Falls, ID
- Palouse River & Coulee City Railroad
 - ◆ Rosalia, WA
- South Kansas & Oklahoma Railroad
 - ◆ Cherryvale, KS
- Stillwater Central Railroad
 - ◆ Stillwater, OK
- Timber Rock Railroad
 - ◆ DeRidder, LA
- Kansas & Oklahoma Railroad
 - ◆ Wichita, KS (effective 6/1/01)

South Kansas & Oklahoma Railroad

2-6



Watco Midwest Railroads effective 6/1/01*



Kansas & Oklahoma Railroad

- ◆ Agreement reached on April 2, 2001
- ◆ Proposed closing May 31, 2001*
- ◆ Proposed first operating day June 1, 2001*
- ◆ Existing tariffs will remain in place for 2001
- ◆ Start-up will be with current operating plan
- ◆ K&O has acquired locomotives with additional horsepower
- ◆ Currently negotiating for adequate supply of grain cars
- ◆ Aggressive track maintenance and capital expenditures

* = Pending STB approval

HCR 5032 – Port of Pittsburg

- ❖ Port Authority/K&O Railroad will develop a lease-purchase agreement.
- ◆ K&O Railroad would be able to leverage about \$3.6 million for track improvements to upgrade lines using a 20-year repayment schedule.
- ◆ This money would be used to improve primary corridors between Wichita and Great Bend, the southwestern portion from Kingman to Coats, and then for the "crisis" portions of the railroad where there are derailments due to lack of maintenance.
- ◆ Also to limit derailments throughout the system.

HCR 5032 – Port of Pittsburgh

- Fiscal note:
 - \$300,000 a year for 20 years for all taxing subdivisions in the state.

HB 2586 – Income Tax Credit

- ◆ Authorizes a \$500,000 annual refundable income tax credit for the K&O Railroad. This would generate about \$6.1 million for track improvements to upgrade lines using a 20-year repayment schedule.
- ◆ This money would be used to upgrade feeder portions of the line, Salina to Osborne, Great Bend West to Colorado, Coats to Protection, Great Bend to Larned.
- ◆ The bill will have no fiscal impact until 2003.
- ◆ The fiscal note in 2003 could be as low as \$350,000, due to construction schedules and repayment schedules.

What the State gets

- ◆ KDOT estimates a 1:53 Cost Benefit Analysis. For every \$1 the state spends on this rail line \$53 in benefit is received back.
- ◆ Overall annual impact on the state if this rail line is abandoned is \$179 million.
- ◆ Watco purchased the railroad from a real estate company that had proposed abandoning all rail lines west of Hutchinson and southwest of Kingman -- almost 700 miles of track.

What the State gets

- ◆ The state and Watco have now taken that rail line out of their hands and have protected it by issuing an 18-month moratorium on rail abandonments, beginning June 1, on about 850 miles of track. The remaining 70 miles is pending customer commitments to begin moving product by rail.
- ◆ Watco has agreed to file annual operating, marketing and maintenance plan with the state and be subject to arbitration if they do not meet terms of agreement. Plus be fined \$1,000 a day for violating the agreement. This annual service plans turns into a "Evergreen" "On-going" plan if these two items are passed.

What the State gets

- ◆ The state has the opportunity to end contested rail abandonment in central and western Kansas by passing these two items.
- ◆ Abandonment would be necessary if bill and resolution not passed to meet cash flow and/or invest proceeds from salvage into other parts of railroad to prevent them from being abandoned.

Summary

- ◆ Watco will invest more than \$60 million in first ten years to maintain and improve the rail.
- ◆ State and local investment \$10 million, 6:1 ratio
- ◆ Watco will grow the business on the line increasing Cost Benefit Ratio
- ◆ Rail corridors will be preserved
- ◆ \$179 million annual impact on State and local units of government

Watco Companies
Kansas & Oklahoma Railroad

Overview

Watco Companies

Founded in 1983 by Charles "Dick" Webb, Watco Companies has become a national leader in providing customer service to railroad industries. With five short line railroads, car repair shops, industrial switching and a host of other services, Watco Companies has focused on meeting the needs of its customers as its engine for growth. With this acquisition, Watco Companies will have 735 employees in 17 states, with nearly 2,400 miles of track. In Kansas, Watco Companies will employ more than 200 people, with 1,150 miles of track.

Kansas and Oklahoma Railroad

The Kansas & Oklahoma Railroad (formerly the Central Kansas Railroad) has more than 900 miles of track with headquarters in Wichita and operating west to the Colorado border. The railroad is primarily agricultural, but has a 40 percent base of industrial commodities.

Long-term Commitment

In the first year of operation the Kansas & Oklahoma Railroad will insert more than 65,000 ties, apply 52,000 tons of ballast, and surface 130 miles of track to enhance the operations and viability of the railroad. In the Kansas & Oklahoma Railroad five-year maintenance plan more than 300,000 ties will be inserted into the track and 520 miles of track will be surfaced using 208,000 tons of ballast. This basic maintenance plan is exclusive of the dramatic track and bridge capital improvement plan that will have to be implemented in order to preserve this railroad for the next 20 years.

This intensive effort of tie replacement, resurfacing and track rehabilitation is to ensure that the Kansas & Oklahoma Railroad can provide its customers with an enhanced level of service. In the first 10 years of operation, the Kansas & Oklahoma Railroad has budgeted more than \$39 million for maintenance. The total maintenance and capital improvements budget for the K&O for the first 10 years of operations is more than \$55 million.

The movement of grain on these lines is a critical portion of the operational and customer success of this railroad. Of the many factors that determine a successful harvest for the railroad, three in particular stand out: 1) communication with customers; 2) ample supply of rail cars; and 3) railroad speed. It is critical that we communicate with our

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customers to make sure we understand their needs, that we have the necessary number of grain cars available to meet their needs and that the track speed is high enough to turn those cars back around for their next move in a reasonable time. During the next two months we will be meeting with our new customers face to face and at meetings throughout central and western Kansas. We have also placed orders with our class I partners and rail car leasing companies to lease additional grain cars for the 2001 wheat harvest.

Our budget for track maintenance and capital improvements for the first year of operations is more than \$6 million, but still this will not be enough to preserve these lines for the future.

Moratorium on abandonments

One of the most important policy issues for the rail industry and its' customers is track abandonments. After an exhaustive and intensive review of the former CKR, the Kansas & Oklahoma Railroad will announce an 18-month moratorium on track abandonments. This moratorium is being announced to allow for the railroad, its customers and key public policy makers from the local, state and national level to join forces to preserve this key central and western Kansas transportation corridor.

This moratorium is for all rail lines in Kansas exclusive of the Jetmore to Hanston and Coats to Protection lines. For these two lines, meetings will be held with shippers and key policy makers during the later part of April and the month of May to determine the fate of these two rail lines. During calendar years 1999 and 2000 there were no car movements on either of these two segments and collectively a decision must be made to decide their future. Before June 1, 2001, a decision must be made as to the future of these lines and then the abandonment moratorium will go into effect.

The Kansas & Oklahoma Railroad is committed to being a partner in preserving these two rail corridors from Coats to Protection and from Jetmore to Hanston, but there must be significant traffic increases on these two lines in order for them to have a sustained future.

Track Capital Expenditures

To insure the viability of light traffic lines, the Kansas & Oklahoma Railroad needs to invest an additional \$16.5 million in capital improvements to keep the rail lines operational. Of this \$16.5 million we are requesting \$3.2 million from the federal government to acquire additional grain cars. From the state of Kansas we are requesting authorization of a Port Authority, which will provide \$3.677 million in capital improvements through property tax abatements. We will also need an additional authority to provide for refundable income tax credit for Class III railroads operating a Port Authority owned track to provide for an additional \$6.1 million in capital improvements. While we would request this income tax credit be authorized this year for planning purposes, we would not need the fiscal note to impact the state until fiscal year 2003.

This capital assistance will allow the Kansas & Oklahoma Railroad to extend the abandonment moratorium past the initial 18 months and extend it for 10 years, based on a basic service agreement by the railroad and a car movement commitment by the customer.

Without the support of the Kansas Legislature to invest in protecting this vital rail corridor, many of the rail lines listed below will have to be abandoned. While abandoning tracks are always a difficult choice, those lines are held for collateral and if they can not be upgraded to a condition where they can be operationally viable, they must then be sold for scrap to meet bank covenants.

Track and Bridge Capital Improvements by segment

In addition to the basic maintenance plan outline above, the following capital improvements will need to occur in the very early stages of operation in order to keep the Kansas & Oklahoma Railroad viable. The improvements are listed by corridor:

Coats to Rago	\$1,093,250
Hanston to Larned	\$ 916,250
Rago to Carvel	\$ 242,950
Larned to Yaggy	\$2,491,650
Garden Plain to Kingman	\$ 899,100
Kingman to Pratt	\$ 929,075
Osborn to Lincoln	\$1,318,700
Lincoln to West Salina	\$ 876,250
Great Bend to Scott City	\$2,369,250
Wichita to Yaggy	\$1,056,750
ST. Jct. (Sterling) to Geneseo	\$ 614,615
Sub-total	\$13,399,455
Protection to Coats	\$2,578,600
Jetmore to Hanston	\$ 272,250
Sub-total	\$2,850,850
Total Track and Bridge Capital improvements needed	\$16,250,305
Grain Cars	\$ 3,200,000
Total Capital Improvements needed to sustain entire K&O for first three years of operation	\$19,450.305

Grain Cars

The Kansas & Oklahoma Railroad will move more than 30,000 carloads of grain each year. Providing customers with an enhanced level of service and new markets with its sister railroad, the South Kansas & Oklahoma, the volume of grain reaching new eastern and southern markets is expected to increase significantly. To meet that demand, and to provide customers with the number of cars necessary to meet their needs, the Kansas & Oklahoma Railroad is seeking \$3.2 million from the federal government to purchase 200-grain cars. An additional 200 cars will be leased for 5 months to handle the harvest. This combined with cars from the two class one carriers, UPRR and BNSF, will allow for the reasonable and timely handling of grain movements.

This fleet will move grain interline on the Kansas & Oklahoma as well as off line to eastern Kansas's flourmills and to the Texas and central gulf ports. To handle the volume of grain the Kansas & Oklahoma railroad will have to maintain or have access to a fleet of more than 1,200-grain cars.

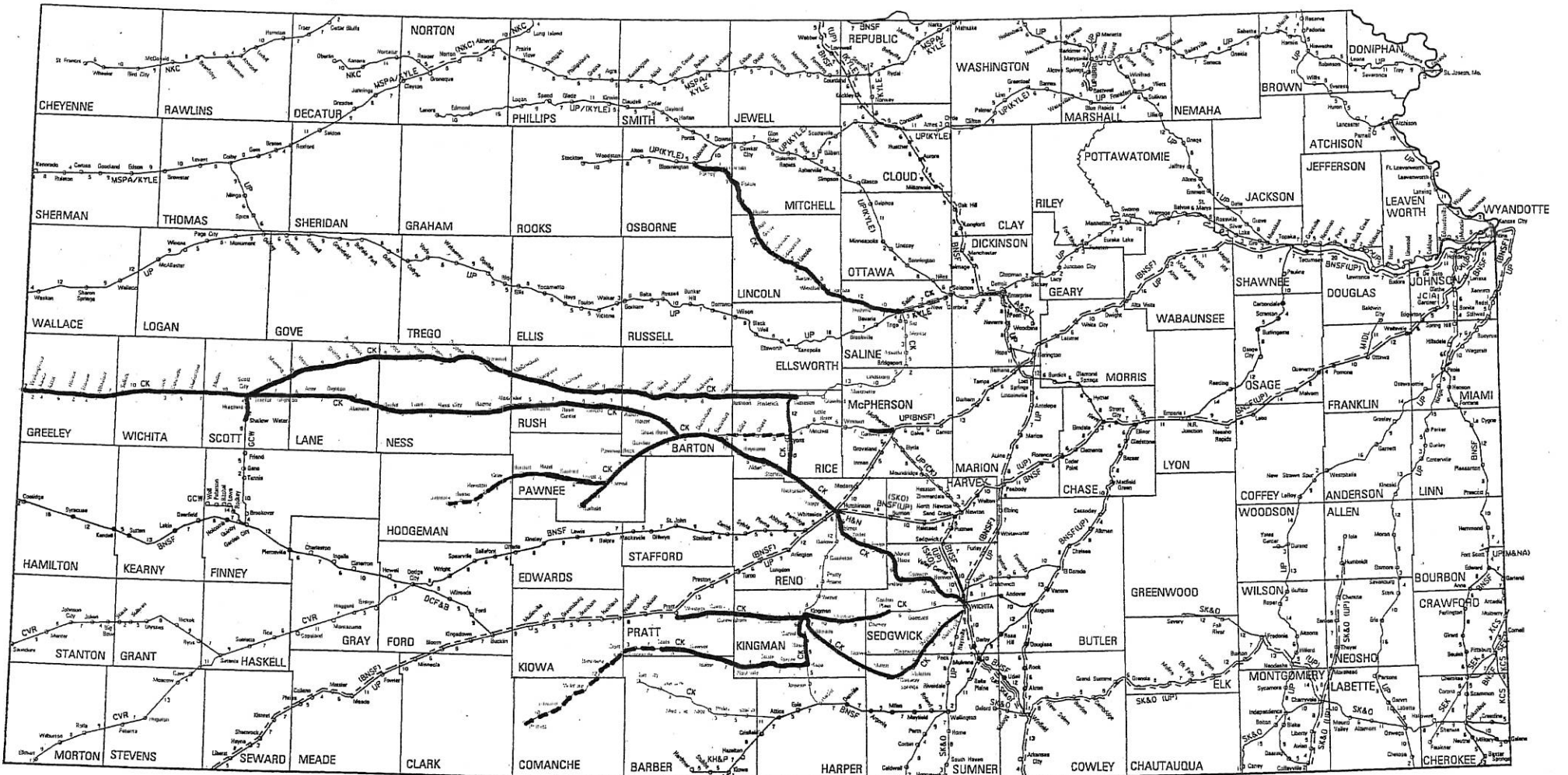
Funding

Annual property tax abatement	\$ 300,000
5.25 percent bonds or federal loan	
20-year amortization, quarterly payments	
Net proceeds	\$3,677,503
Annual refundable income tax credit	\$ 500,000
5.25 percent bonds or federal loan	
20-year amortization, quarterly payments	
Net proceeds	\$6,129,172
<u>Total capital improvement assistance</u>	<u>\$9,806,675</u>

Timeline

Monday, April 2, 2001, morning	Contract signed
Monday, April 2, 2001, afternoon	Announce purchase
Monday or Tuesday, April 2-3	Meet with Pittsburg officials
End of week, April 5 or 6	Brief Legislative Committees
Week of April 9	Brief Pittsburg City Commission
	Form Port of Pittsburg, KS
Veto session	Legislature approves Port Authority
	Proposal for income tax rebate
May 2001	Port Authority becomes operational
June 1, 2001	Kansas and Oklahoma Railroad begins operation
	18-month railroad abandonment moratorium takes effect
August 1, 2001	Bonds, loan made for property tax abatement for \$3.6 million
November 1, 2001	First property tax abatement payment due
April 1, 2002	Bonds, loan made for income tax abatement for \$6.1 million
	10-year railroad abandonment moratorium takes effect
July 1, 2002 (State FY 2003)	First income tax abatement payment due

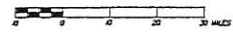
Kansas Railroad Map



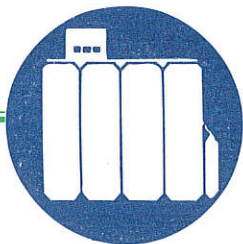
RAILROAD	MILEAGE
A&SV ABILENE & SMOKY VALLEY RAILROAD	18
BNSF BURLINGTON NORTHERN SANTA FE RAILWAY	1,253
CVR CIMARRON VALLEY RAILROAD	179
DCF&B DODGE CITY FORD & BUCKLIN	26
GCW GARDEN CITY WESTERN	45
H&N HUTCHINSON & NORTHERN	3
JCIA JOHNSON COUNTY INDUSTRIAL AIRPORT RAILWAY	4
KCS KANSAS CITY SOUTHERN	18
KCTR KANSAS CITY TERMINAL RAILWAY	5

RAILROAD	MILEAGE
KH&P KIOWA, HARDTNER & PACIFIC	10
KYLE KYLE (OWNED)	16
KYLE (MSPA) LEASED FROM MSPA	273
KYLE (UP) LEASED FROM UP	310
MIDL MIDLAND RAILWAY	11
M&NA MISSOURI & NORTHERN ARKANSAS	8
NKC NEBRASKA, KS & CO RAILNET	122
NS NORFOLK SOUTHERN RAILWAY (TRACKAGE RIGHTS ONLY)	

RAILROAD	MILEAGE
CXR CENTRAL KANSAS RAILWAY	802
CXR JP CENTRAL KANSAS RAILWAY LEASED FROM UP	264
SK&O SOUTH KANSAS & OKLAHOMA	309
UP UNION PACIFIC SYSTEM (MKT, MP, OKT, UP)	1503
UP (BRR) LEASED FROM BLUE RAPIDS RR	10
WUT WICHITA UNION TERMINAL	2



 KANSAS DEPARTMENT OF TRANSPORTATION
 BUREAU OF RAIL AFFAIRS
 AND
 BUREAU OF TRANSPORTATION PLANNING
 RRMAPS00.DGN REVISED 9/27/00
 ----- DASHED LINES INDICATE
 TRACKAGE RIGHTS ONLY



KANSAS GRAIN AND FEED ASSOCIATION

April 30, 2001

Chairman Corbin and Members of the Senate Assessment and Taxation Committee,

In accordance with the transportation policy adopted by the board of directors of the Kansas Grain and Feed Association, our organization appears in support of HCR 5032. As highlighted in our third policy position statement, our organization supports the continuation of rail service to all current service points where past use has been demonstrated and needs for continued service is exhibited. We believe the Watco Companies' purchase of the Central Kansas Rail lines located in south-central and western Kansas is good news for our shipper members and simply ask for this committee and the Kansas Legislature to help facilitate maintaining rail service to the many Kansas rural communities served by those purchased lines.

Sincerely,

Douglas E. Wareham
Vice President of Government Affairs

KANSAS GRAIN AND FEED ASSOCIATION TRANSPORTATION POLICY

Revised 10/5/00

PREAMBLE

Whereas, Kansas is a major producer and user of various grain and agricultural products, and the Kansas farm economy is dependent upon a fluid market and transportation system and continues to depend on these important segments for the sale, purchasing, and distribution of the agricultural commodities. It will be the purpose of the Kansas Grain and feed Association, through its directors and transportation committee, to help in maintaining a strong and viable transportation system.

The following specific policy was adopted by the Kansas Grain and Feed Association for the purpose of maintaining a strong and viable transportation structure.

POLICY

3. Because farm communities depend on rail transportation as one means of distribution of products, we support the continuation of rail services to all current rail served points, where continued past use has been demonstrated and needs for continued service is exhibited.

Senate Assessment + Taxation

April 30, 2001

Members of the Kansas Senate and House of Representatives

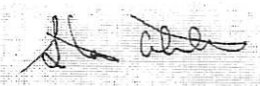
The purpose of this joint letter is to express support for H.B. 2586 and H.C.R. 5032, both measures designed to ensure the continuation of rail service to numerous western, central and southeastern communities in Kansas. The agricultural community is extremely concerned with the deterioration of rail lines and service along lines formerly operated by the Central Kansas Railway in central and western Kansas. The purchase of these rail lines by Watco Companies of Pittsburg, Kansas provides a new opportunity for rehabilitation and continued operation of rail lines that were presently or are in the near future facing abandonment.

The importance of maintaining these rail lines is critically important to all Kansans for various economic reasons including:

- Future Economic Development in Rural Kansas Communities
- Maintaining Agricultural Markets for Kansas Grown Commodities
- Reducing Taxpayer Costs Associated with Road and Highway Maintenance

Attached with this statement is a listing of the agricultural shippers/receivers that are dependent upon the current and future service of the recently formed Kansas & Oklahoma Railroad. The grain, feed and fertilizer receiving points highlighted on the attached list in many cases serve as the only viable marketing channel for the agricultural producers in these rural Kansas communities. The benefits of maintaining our transportation infrastructure cannot be overstated. Positive action by the Kansas Legislature on H.B. 2586 and H.C.R. 5032 will serve as an investment in maintaining a strong and viable rail system for the numerous communities highlighted on the attached page. Thank you for your consideration, and we respectfully request your support on these initiatives.

Sincerely,



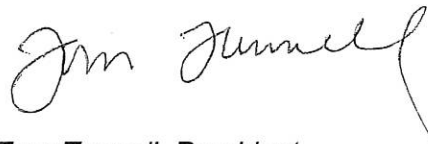
Stan Ahlerich, President
Kansas Farm Bureau



Joe Lieber, President
Kansas Cooperative Council



Brett Myers, Executive Vice President
Kansas Association of Wheat Growers



Tom Tunnell, President
Kansas Grain & Feed Association
Kansas Fertilizer & Chemical Association



Jere White, Executive Director
Kansas Corn Growers Association
Kansas Grain Sorghum Producers Association

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Attachment 5

Agricultural Shipper/Receiver Locations Dependent Upon the Kansas & Oklahoma Railroad

ADM Co., Fredonia	Fairleigh Feed Yards, Scott City
ADM Mlg. Co., Abilene	Farm Credit Leasing, Wichita
AgriBest Roofing, Scott City	Farmco Inc., Astor
AgTrax Technologies, Hutchinson	Farmco Inc., Horace
Alfa Pellets Inc., Great Bend	Farmco Inc., Kanco
America Service Inc., Independence	Farmco Inc., Selkirk
Andale Farmers Coop, Andale	Farmco Inc., Tribune
Anthony Farmers Coop, Attica	Farmco Inc., Tribune
Anthony Farmers Coop, Sharon	Farmco Inc., Whitelaw
Bartlett & Company, Scott City	Farmers Coop Assn. North Location, Columbus
Bartlett & Company, Wichita	Farmers Coop Assn., Abilene
Bartlett Coop Assn., Oswego	Farmers Coop Assn., Columbus
Barton County Feeders, Ellinwood	Farmers Coop Assn., Salina
Beachner Grain Inc., Altamont	Farmers Coop Co., Wilmore
Beachner Grain Inc., Chanute	Farmers Coop Elevator Co., Belmont
Beachner Grain Inc., Humboldt	Farmers Coop Elevator Co., Cheney
Beachner Grain Inc., Independence	Farmers Coop Elevator Co., Garden Plain
Beachner Grain Inc., Neodesha	Farmers Coop Elevator Co., Hutchinson
Beachner Grain Inc., Thayer	Farmers Coop Elevator Co., Murdock
Beachner Grain Inc., Wichita	Farmers Coop Elevator Co., Nickerson
Bennett Trading Inc., Wichita	Farmers Coop Elevator Co., Norwich
Bert & Wetta Abilene Inc., Abilene	Farmers Coop Elevator Co., Rago
Bert & Wetta Sales Inc., Larned	Farmers Coop Equity Co., Medicine Lodge
Borton, L.C., Hutchinson	Farmers Coop Equity Exchange, Sawyer
Boulware Grain Co., Modoc	Farmers Coop Equity, Isabel
BRC Bearing Co., Wichita	Farmers Coop Equity, Nashville
Cairo Coop Equity Exchange, Cairo	Farmers Coop Equity, Zenda
Cairo Coop Equity Exchange, Calista	Farmers Coop Grain & Supply Co., Burdett
Cairo Coop Equity Exchange, Cunningham	Farmers Coop Grain Assn., Conway Springs
Cairo Coop Equity Exchange, Waldeck	Farmers Coop Grain Assn., Oxford
Caney Agri-Service, Caney	Farmers Coop Union, Alden
Cargill Inc. (Flour Mlg. Div.), Newton	Farmers Coop Union, Lyons
Cargill Inc., Cunningham	Farmers Coop Union, Sterling
Cargill Inc., Hutchinson	Farmers Grain Coop, Newton
Cargill Inc., Salina	Farmers Grain Coop, Wichita
Cargill, Inc., Flour Mlg. Div., Wichita	Farmland Grain Division - Elev. I, Hutchinson
Cargill, Inc., Oilseeds, Wichita	Farmland Grain Division - Elev. J, Hutchinson
Cenex Harvest States, Lincoln	Farmland Insurance Company, Hutchinson
Central States Fumigation & Services, Salina	Farmway Coop Inc., Denmark
Cereal Food Processors, McPherson	Farmway Coop Inc., Hunter
Cereal Food Processors, Wichita	Farmway Coop Inc., Lincoln
Charles Holmes Trucking, Wichita	Farmway Coop Inc., Tipton
Chemstar Products Co., McPherson	Farmway Coop Inc., Westfall
CoBank ACB, Wichita	First National Bank, Hutchinson
Collingwood Grain Inc., Hutchinson	Fleming Feed & Grain Co., Burden
Collingwood Grain, Inc., Hutchinson	Fleming Feed & Grain Co., Winfield
Collingwood Grain, Inc., Hutchinson	Fredonia Coop Assn., Fredonia
Collingwood Grain, Inc., Jetmore	Golden Plains Coop, Sanford
Collingwood Grain, Inc., Kingman	Grain Belt Supply Co. Inc., Salina
Collingwood Grain, Inc., Leoti	Great Bend Coop Assn., Albert
Collingwood Grain, Inc., Lyons	Great Bend Coop Assn., Dundee
Collingwood Grain, Inc., Selkirk	Great Bend Coop Assn., Ellinwood
Commerce Brokerage Inc., Wichita	Great Bend Coop Assn., Great Bend
Commerce Transportation Inc., Wichita	Great Bend Coop Assn., Great Bend
Commodity Services Inc., Salina	Great Bend Coop Assn., Pawnee Rock
Consolidated Nutrition, Abilene	Greenbush Seed & Supply Inc., Hutchinson
Consolidated Printing & Stationery Co., Salina	Greenway Electric Inc., Wichita
Continental Agra Equipment Inc., Newton	HABCO Inc., Salina
CyberCrop.Com, Wichita	Hammel Scale Co. Inc., Wichita
DeBruce Grain Inc., Abilene	Hampel Oil Dist., Wichita
DeBruce Grain Inc., Wichita	Hampton & Royce L.C., Salina
Dodge City Coop Exch., Hanston	Hannebaum Grain Co. Inc., Salina
Dodge City Coop Exch., Jetmore	Hansen-Mueller Co., Salina
Eaton Enterprises, Scott City	Harvest Brands Inc., Pittsburg
ESE Alcohol Inc., Leoti	Heiman & Co., Inc., Wichita

Plains Corporation, Wichita
Hubbard Feeds Inc., Columbus
Industrial Fumigants, Wichita
Industrial Maintenance Inc., Wichita
INTRUST Bank, Wichita
Iola Grain Inc., Iola
Irsik & Doll Feed Service, Hutchinson
Iuka Coop Exchange, Pratt
J & S Scale/Fab Systems Inc., Hutchinson
Jim Haggerty, Sterling
KAMO Grain, Pittsburg
Kansas Farmers Service Assn., Hutchinson
Kauffman Seeds Inc., Haven
Kirk Grain Co., Scott City
Lange Co. LLC, Conway Springs
Lindburg & Vogel Chartered, CPA's, Hutchinson
McPherson Concrete Storage Systems, McPherson
Micro Lite LLC, Chanute
Mid Continent Industries Inc., Newton
Mid State Farmers Coop, Alexander
Mid State Farmers Coop, Alexander
Mid State Farmers Coop, Nekoma
Mid State Farmers Coop, Rush Center
Mid State Farmers Coop, Timken
Mid-Kansas Coop Assn., Conway
Mid-Kansas Coop Assn., Haven
Mid-Kansas Coop Assn., McPherson
Mid-States Appraisal Services Inc., Salina
Midway Coop Assn., Osborne
Midway Coop Assn., Osborne
Midway Coop Assn., Osborne
Midway Coop Assn., Osborne
Midwestern Fumigation & Pest Control/Orkin, Salina
Miller Grain Co. Inc., Salina
Miller's Grain Inc., Scott City
Mills Feed & Supply, Moline
Morrison Ventures, Salina
Mulvane Coop Union, Clearwater
Murray Grain Co. Inc., Wichita
Norwood & Co. Inc., Salina
OmniTrax, Wichita
Pawnee County Coop Assn., Dartmouth
Pawnee County Coop Assn., Dundee
Pawnee County Coop Assn., Garfield
Pawnee County Coop Assn., Gray
Pawnee County Coop Assn., Larned
PDA Business Services Inc., Wichita
Pratt Feeders LLC, Pratt
Protection Coop Supply Co., Coldwater
Protection Coop Supply Co., Protection

Rubber Belting & Hose Supply, Wichita
Rubber Supply Inc., Wichita
Salina Scale Sales & Service Inc., Salina
Scott Coop Assn., Marienthal
Scott Coop Assn., Marienthal
Scott Coop Assn., Scott City
Scott-Pro Inc., Scott City
SEK Grain Inc., Coffeyville
SEK Grain, Cherryvale
SEK Grain, Independence
SEK Grain, Liberty
Severy Coop Assn., Severy
Sheptell Co. Inc., Coldwater
Shield Industries, Hutchinson
Shriver Elevator Inc., Coats
Skill Transportation Consulting Inc., Wichita
Star Seed Inc., Osborne
Stifel, Nicolaus & Company Inc., Wichita
Sunbelt Grain Inc., Tribune
Terracon Inc., Wichita
The Scoular Company, Salina
The Scoular Company, Salina
Timken Seed Farms Inc., Timken
Tindle Construction Inc., Neodesha
Tom Snell Trucking, Ellinwood
Topco Distributing, Salina
Tramco Inc., Wichita
Tribune Grain LLC, Tribune
Vac-U-Strip, Inc., Hutchinson
Valley Coop Inc., Burden
Valley Coop Inc., New Salem
Valley Coop Inc., Winfield
Valley Feed & Seed Inc., Wichita
Walker Products Co. Inc., Lincoln
Ward Feed Yard Inc., Larned
Watco Companies Inc., Pittsburg
Western Grain Inc., Wichita
Western Star Milling, Salina
Wichita County Grain Co. Inc., Leoti
Willis of Kansas, Wichita
Wright Lorenz Grain Co., Salina
Young Construction, Cheney
Zurich US, McPherson



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT & TAXATION

RE: HB 2586- providing an income tax credit for the retirement of bonds issued by a single city port authority and

HCR 5032 providing legislative approval of the City of Pittsburg, Kansas, Port Authority.

**April 30, 2001
Topeka, Kansas**

**Prepared by:
Leslie Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Corbin and members of the Senate Committee on Assessment and Taxation, Kansas Farm Bureau certainly appreciates this opportunity to express support for HB 2586 providing an income tax credit for the retirement of bonds issued by a single city port authority and HCR 5032 providing legislative approval of the City of Pittsburg, Kansas, Port Authority. My name is Leslie Kaufman. I serve as the Associate Director of the Public Policy Division for Kansas Farm Bureau.

Maintaining efficient and effective rail service in Kansas is extremely critical to the Kansas agriculture industry. Quality, efficient transportation options are vital to agriculture producers. We have been greatly concerned with the abandonment or proposed abandonment of many lines throughout the state. This reduces producer transportation options and competition within the transportation industry.

Rail service and transportation issues have received much discussion from the voting delegates at our annual meetings the past few years. Our farmer and rancher members have debated, refined and affirmed policy on many rail and transportation issues:

- *We support the concept that carriers should not be permitted to easily abandon existing lines.*

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- *We support necessary legislation that could facilitate the sale of rail lines which otherwise might be abandoned, provided it does not violate the property rights of the underlying landowners.*
- *We encourage increased public and private initiatives to assist Short Line Railroads and Class III carriers to obtain rail lines that may otherwise be abandoned.*
- *Kansas should provide tax incentives and other appropriate assistance to railroad companies that agree to upgrade rail lines and provide long-term service to shippers.*

Watco Companies has stepped-in and purchased rail lines from the Central Kansas Railway, which we understand would have been abandoned otherwise. We are encouraged by their plan for maintaining service to a significant portion of this state. To fully implement this plan, creation of a Port Authority is essential. We encourage this committee and the legislature to act favorable on HCR 5032, which provides the legislative approval for the creation of the City of Pittsburg, Kansas, Port Authority.

Additionally, as noted in our policy statements above, we urge the state of Kansas to provide tax incentives to railroad companies that agree to upgrade lines and provide long-term service to shippers. In our discussions with Watco staff, we do believe that monies saved through favorable tax treatment will be channeled back into infrastructure improvements and that the company is committed to operating rail lines in this state for the long-term. As such, we believe that even in tight economic times, the relief sought in HB 2586 is appropriate and we encourage favorable action from the legislature.

Thank you!

Kansas & Oklahoma Railroad – Operated by WATCO Co. of Pittsburg

Co. No.	County Name	2000 Assessed Value	General 2000 Tax
1	Allen	31,829	3,761
4	Barber	65,040	8,488
5	Barton	134,204	18,187
8	Butler	110,407	14,277
11	Cherokee	66,055	5,245
17	Comanche	23,362	2,886
18	Cowley	64,609	8,466
19	Crawford	33,256	2,964
21	Dickinson	7,483	783
25	Elk	86,142	11,882
27	Ellsworth	18,247	2,514
36	Greeley	31,825	4,288
37	Greenwood	95,192	12,316
39	Harper	55,397	8,655
40	Harvey	10,308	1,049
42	Hodgeman	18,900	2,692
48	Kingman	121,070	14,586
49	Kiowa	10,710	1,182
50	Labette	57,415	6,174
51	Lane	48,260	6,358
53	Lincoln	33,696	4,928
59	McPherson	50,816	5,332
62	Mitchell	11,290	1,312
63	Montgomery	151,381	19,659
67	Neosho	81,421	11,447
68	Ness	75,454	9,103
71	Osborne	15,012	1,859
73	Pawnee	45,752	6,559
76	Pratt	54,528	7,297
78	Reno	89,714	10,767
80	Rice	123,008	16,957
83	Rush	60,837	8,128
85	Saline	49,013	3,803
86	Scott	46,384	4,763
87	Sedgwick	86,395	9,440
93	Stafford	33,942	5,039
96	Sumner	92,124	11,259
102	Wichita	26,730	3,359
103	Wilson	85,778	10,495
	Totals	2,302,986	288,258

Senate Assessment & Taxation
 4-30-01
 Attachment 7

Co	COUNTY	AV	Gene. Tax
SOUTH KANSAS & OKLAHOMA RAILROAD CO	ALLEN	31,829	3,761.14
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	BARBER	20,114	3,193.14
CENTRAL KANSAS RAILWAY INC	BARBER	44,926	5,294.55
CENTRAL KANSAS RAILWAY INC	BARTON	134,204	18,187.22
KANSAS EASTERN RAILROAD	BUTLER	110,407	14,276.54
SOUTH KANSAS & OKLAHOMA RAILROAD CO	CHEROKEE	66,055	5,245.16
CENTRAL KANSAS RAILWAY INC	COMANCHE	23,362	2,885.96
SOUTH KANSAS & OKLAHOMA RAILROAD CO	COWLEY	64,609	8,466.22
SOUTH KANSAS & OKLAHOMA RAILROAD CO	CRAWFORD	33,256	2,964.48
CENTRAL KANSAS RAILWAY INC	DICKINSON	7,483	782.90
SOUTH KANSAS & OKLAHOMA RAILROAD CO	ELK	86,142	11,881.88
CENTRAL KANSAS RAILWAY INC	ELLSWORTH	18,247	2,514.16
CENTRAL KANSAS RAILWAY INC	GREELEY	31,825	4,288.22
SOUTH KANSAS & OKLAHOMA RAILROAD CO	GREENWOOD	40,719	4,796.40
KANSAS EASTERN RAILROAD	GREENWOOD	54,473	7,519.10
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	HARPER	32,858	5,032.57
CENTRAL KANSAS RAILWAY INC	HARPER	22,539	3,622.07
CENTRAL KANSAS RAILWAY INC	HARVEY	10,308	1,049.05
CENTRAL KANSAS RAILWAY INC	HODGEMAN	18,900	2,692.24
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	KINGMAN	36,797	4,495.25
CENTRAL KANSAS RAILWAY INC	KINGMAN	84,273	10,091.15
CENTRAL KANSAS RAILWAY INC	KIOWA	10,710	1,181.54
SOUTH KANSAS & OKLAHOMA RAILROAD CO	LABETTE	57,415	6,173.60
CENTRAL KANSAS RAILWAY INC	LANE	48,260	6,357.87
CENTRAL KANSAS RAILWAY INC	LINCOLN	33,696	4,927.95
CENTRAL KANSAS RAILWAY INC	MCPHERSON	50,816	5,332.38
CENTRAL KANSAS RAILWAY INC	MITCHELL	11,290	1,312.08
SOUTH KANSAS & OKLAHOMA RAILROAD CO	MONTGOMERY	151,381	19,658.84
SOUTH KANSAS & OKLAHOMA RAILROAD CO	NEOSHO	81,421	11,446.50
CENTRAL KANSAS RAILWAY INC	NESS	75,454	9,102.50
CENTRAL KANSAS RAILWAY INC	OSBORNE	15,012	1,858.76
CENTRAL KANSAS RAILWAY INC	PAWNEE	45,752	6,558.68
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	PRATT	15,132	2,172.32
CENTRAL KANSAS RAILWAY INC	PRATT	39,396	5,125.16
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	RENO	54,382	6,576.14
CENTRAL KANSAS RAILWAY INC	RENO	35,332	4,190.56

	COUNTY	AV	General
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	RICE	25,906	3,484.10
CENTRAL KANSAS RAILWAY INC	RICE	97,102	13,473.39
CENTRAL KANSAS RAILWAY INC	RUSH	60,837	8,127.74
CENTRAL KANSAS RAILWAY INC	SALINE	49,013	3,802.88
CENTRAL KANSAS RAILWAY INC	SCOTT	46,384	4,763.28
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	SEDGWICK	55,326	5,812.85
CENTRAL KANSAS RAILWAY INC	SEDGWICK	31,069	3,627.19
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	STAFFORD	33,942	5,039.43
SOUTH KANSAS & OKLAHOMA RAILROAD CO	SUMNER	37,940	4,598.30
KANSAS SOUTHWESTERN RR/CHICAGO W PULLMAN	SUMNER	34,603	4,336.04
CENTRAL KANSAS RAILWAY INC	SUMNER	19,581	2,324.76
CENTRAL KANSAS RAILWAY INC	WICHITA	26,730	3,359.08
SOUTH KANSAS & OKLAHOMA RAILROAD CO	WILSON	85,778	10,494.62
		2,302,986	288,257.94

