

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on February 20, 2003, 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
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Senator Jim Barnett
Alan Phipps, Chase County Commissioner
Butch Felker, Mayor of Topeka
Neil Dobler, Director of Public Works, City of Topeka
Senator Dave Jackson
Senator Mark Taddiken
Don Willson, Superintendent, Concordia School District
Mark Tallman, Kansas Association of School Boards

Others attending: See attached list.

SB 147—Countywide sales tax for Chase County

Senator Jim Barnett, who requested the introduction of **SB 147**, commented that the Chase County Courthouse is one of the most beautiful buildings in the state and that citizens of the county have worked hard to preserve and restore it in an ongoing effort. The bill would add allow Chase County to collect up to a 1 percent sales tax dedicated to the purpose of preserving the courthouse, subject to approval by the voters. (Attachment 1)

Alan Phipps, a Chase County Commissioner, testified in support of **SB 147**, noting that the Chase County Courthouse was built in 1871 and is the oldest courthouse in use in the state. The courthouse had not had many repairs until seven years ago when the Board of Commissioners formed the Chase County Courthouse Restoration Committee. Because there was insufficient time to approach the Legislature for an amendment to the statutes in 1998, the Board submitted to the voters a proposition for a 1 percent countywide retailers' sales tax to be used for repairs under the provisions of K.S.A. 12-187(b)(1). This meant that Chase County had to share the sales tax revenue with the other cities within the county. At the time, it was believed that the project would be completed within five years; therefore, the Commissioners limited the term of the sales tax to five years. To date, in excess of \$781,235 has been expended for the exterior repair of the courthouse, but the interior work and the retaining wall remains to be completed. The original countywide retailers sales tax authority expires December 31, 2003. The Board of Commissioners requests that K.S.A. 2002 Supp. 12-187(b)(2) be amended to add Chase County to the list of counties that has authority to impose a countywide retailers' sales tax, subject to the approval of the voters. The amendment will allow Chase County to use the sales tax revenue for remodeling of the courthouse and not share the revenue with cities within the county. (Attachment 2)

There being no others wishing to testify on **SB 147**, the hearing was closed.

SB 233—Shawnee County authorized to impose sales tax for rebuilding Topeka Boulevard bridge

Butch Felker, Mayor of the City of Topeka, testified in support of **SB 233**. As background information, he explained that when the Highway Plan was passed several years ago, U.S. Highway 75 was one of the highways designated to be upgraded, and a by-pass plan was drawn up. At that point, the Topeka Boulevard bridge was part of the state and national highway system, and the Kansas Department of Transportation

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 20, 2003, in Room 519-S of the Capitol.

(KDOT) agreed to put enough money into the project before it was to be abandoned in ten years. However, in 2001, it was obvious that the bridge was need to be replaced soon. The estimated cost to replace the bridge is \$40 million. If the city were to undertake the project alone, it would require a 5 mill increase in property taxes. After exploring other options such as charging a toll, it was determined that the best solution is a increase in the countywide sales tax of one-quarter percent, to sunset as soon as the expense for the bridge is reached. Mayor Felker noted that the bridge is a special circumstance in that it is very expensive project which the City of Topeka inherited from the state.

Neil Dobler, Director of Public Works for the City of Topeka, testified in support of **SB 233**. He noted that in excess 20,000 cars cross the bridge per day, and many of those persons are coming from the counties to the north to Topeka to work. He commented that the bridge was built in 1938, and there is no doubt that it has outlived its original intended life span. It has been restricted to trucks, but even under the reduced load, the expected life of the bridge is less than ten years. He explained that the City of Topeka annually allots between \$3 million and \$5 million for street and bridge projects. To finance the bridge using general obligation bonds would mean doing no other normal projects for approximately 13 years. Although KDOT supports the reconstruction of the bridge, the state transportation plan will have no funds available for the project for a number of years. During the initial study for the bridge replacement, surveys and opinions expressed at public meetings indicated that the majority of Shawnee County residents are in favor of both replacing the bridge and a sales tax as the funding method. (Attachment 3)

Senator Dave Jackson testified in strong support of **233**. He pointed out that the bill will allow the voters of Topeka and Shawnee County to decide if the bridge replacement is important enough to raise the sales tax one-fourth percent. (Attachment 4)

There being no others wishing to testify, the hearing on **SB 233** was closed.

SB 78—School districts; assessed valuation thereof

Senator Taddiken, sponsor of **SB 78**, explained that the “peanut” of the bill concerns how a county clerk determines the valuation of a school district located within a tax increment financing (TIF) district. He noted that TIF districts are formed to develop or redevelop areas for the economic benefit of the community. He explained that a problem arises when a TIF district is created which artificially raises the wealth of a school district, while its local revenue remains constant. Consequently, the school district receives less revenue under the state’s funding formula than before the TIF district was created. Senator Taddiken believes this is an unintended consequence of the current TIF statute. The bill would require county clerks to report the base valuation of property to accurately reflect the taxing authority of the school district until the TIF bonds are paid off. Thus, school districts will receive the correct amount of state aid. Senator Taddiken emphasized, although the cost to make this change is substantial, students should not be penalized because their communities are trying to help themselves. (Attachment 5)

Don Willson, Superintendent of the Concordia School District, testified in support of **SB 78**. He noted that, according to city officials, the TIF district was not supposed to affect funding of schools. He reported that his district’s valuation before TIF improvement would be approximately \$40,000,000, but it would be approximately \$45,000,000 after the TIF improvement. This results not only in less aid from the state but also in a decrease in state reimbursement for the LOB. (Attachment 6)

Mark Tallman, Kansas Association of School Boards, testified in support of **SB 78** as a matter of principle. He noted that the Association’s policy position is as follows: “Only tax resources that generate revenue for districts should be used to measure the ability of the district to pay its share of education funding.” In his opinion, the state should raise additional revenues to finance this and other programs. (Attachment 7)

Senator Corbin called the Committee’s attention to written testimony in support of **SB 78** submitted by Jacque Oakes, Schools for Quality Education. (Attachment 8) With this, the hearing on **SB 78** was closed.

Senator Corbin returned the Committee’s attention to **SB 147** and **SB 233**. It was noted that both bills deal

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 20, 2003, in Room 519-S of the Capitol.

with the same statute, and both bills deal with a specific project.

Senator Lee moved to combine SB 233 with SB 147, seconded by Senator Clark. The motion carried.

Senator Lee moved to recommend SB 147 favorably as amended, seconded by Senator Donovan. The motion carried.

Attention was turned to the minutes of the February 18 meeting.

Senator Donovan moved to approve the minutes of the February 18, 2003, meeting, seconded by Senator Buhler. The motion carried.

The meeting was adjourned at 11:30 a.m.

The next meeting is scheduled for February 21, 2003.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: February 20, 2003

NAME	REPRESENTING
RICHARD CUM	KDOR
Neil Dobler	City of Topeka
BUTCH FELKEN	" " "
Don Wilson	Concordia USD 333
Whitney Damron	City of Topeka
Brenden Long	City of Topeka
Mark Tallman	KASB
Frank Kerr	NTBA
JOHN GLASSMAN	RHI, Inc
Kathy Damron	City of Topeka City of Topeka
TRAVIS LENKNER	D & A
Deann Williams	K MCA
Danielle Noe	Johnson County
James S. Redick	Chase County
Charles Kilgus	Chase Co.
Alan S. Phipps	Chase Co.
Will T. North	Chase Co.
Edgar O. Griffin	Chase Co.
Larry Bruce	Chase Co.

STATE OF KANSAS

JIM BARNETT
SENATOR, 17TH DISTRICT
CHASE, COFFEY, GEARY, GREENWOOD
LYON, MARION, MORRIS, OSAGE, AND
WABAUNSEE COUNTIES



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
VICE CHAIR: PUBLIC HEALTH AND WELFARE
VICE CHAIR: FINANCIAL INSTITUTIONS AND
INSURANCE
MEMBER: FEDERAL AND STATE AFFAIRS

Testimony for Senate Bill 147

Mr. Chairman and distinguished members of the Senate Assessment and Taxation committee, thank you for the opportunity to testify in support of Senate Bill 147.

The Chase County Courthouse is one of the most beautiful buildings in our state. The citizens of Chase county have dedicated themselves to the preservation and restoration of this monument. The elected officials of Chase county have requested SB 147 to further enable their efforts at preserving this important piece of Kansas history.

SB 147 will allow the voters of Chase county to collect up to a 1% sales tax dedicated to the purpose of preserving the courthouse. I ask for your support of this bill and appreciate your consideration of its merit and value to all Kansas citizens.

Signed:

A handwritten signature in cursive script, appearing to read "Jim Barnett".

Senator Jim Barnett

JAB/gkp

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E-MAIL:
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DISTRICT OFFICE
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EMPORIA, KS 66801
620-342-2521

STATE OFFICE (SESSION ONLY)
STATE CAPITOL, RM. 136-N
TOPEKA, KS 66612-1504
785-296-7384
1-800-432-3924
E-MAIL: BARNETT@SENATE.STATE.KS.US

*Senate Assessment & Taxation
2-20-03
Attachment 1*

WRITTEN TESTIMONY IN SUPPORT OF SB 147

The Chase County Courthouse is a historical treasure. It was built in 1871-72. It is the oldest courthouse still in use in the State of Kansas and one of the oldest still in use west of the Mississippi.

Like all older buildings, it reached a time when it needs extensive repairs. Up until seven years ago, the Chase County Courthouse had not had many repairs. The roof was leaking badly, the foundation was suffering from water damage, new storm doors and windows were needed for energy efficiency and protection from water damage, and improvements needed to be made to the sidewalks and entrances for safety and handicap accessibility. The interior of the Courthouse was also in need of repair and remodeling. The limestone retaining wall has retained moisture and turned to shale. To find solutions to the Courthouse problems, the Board of County Commissioners formed the Chase County Courthouse Restoration Committee.

Anticipating the expense of the project, the Board of County Commissioners of Chase County submitted a 1% Countywide Retailers Sales Tax proposition to the voters in 1998 with the proceeds to be used for repairs to the Courthouse. The proposition was submitted under the provisions of K.S.A. 12-187(b)(1) because there was insufficient time to approach the legislature for an amendment to the statute. This meant that the County had to share the sales tax revenue with the cities within the County. Strong City and Cottonwood Falls agreed to return their portion of the sales tax revenue to the County for use for the repair to the Courthouse. The Commissioners limited the term of the Countywide Retailers Sales Tax to five years, believing that the project would be completed within that time period. The sales tax revenue has been used to match grants and pay the expense of repairs and restoration of the Courthouse.

To date the roof and foundation have been restored, new storm doors and windows have been installed, and the sidewalks and entrances have been repaired or replaced. The repair and remodeling of the interior of the Courthouse and the repair of the retaining wall remain to be done.

The roof and foundation work took longer and was more expensive than was originally anticipated. The roof on the Courthouse is a leaded tin roof that proved very expensive to restore to its original condition to meet Historical Society standards. To date, in excess of \$781,235.00 has been expended by the County to do the exterior repair of the Courthouse and the interior work and the retaining wall remains to be completed. The original Countywide Retailers Sales Tax authority expires on December 31, 2003.

The Board of County Commissioners of Chase County are requesting that K.S.A. 2002 Supp. 12-187(b)(2) be amended to add Chase County to the list of

*Senate Assessment + Taxation
2-20-03
Attachment 2*

counties that has authority to impose a Countywide Retailers Sales Tax, subject to the approval of the voters, for the remodeling of the Courthouse. This amendment will allow the County Commission to use the sales tax revenue for the remodeling of the Chase County Courthouse and not have to share the revenue with the cities within the County. If approved by the voters of Chase County, this will allow Chase County continue with the preservation work on its historic courthouse and preserve it for generations to come.

BOARD OF COUNTY COMMISSIONERS
CHASE COUNTY, KANSAS

Edgar O. Griffin, Chairman
Gary Bruch, Member
Alan Phipps, Member

William T. North
Chase County Attorney

CHASE COUNTY COURTHOUSE
RESTORATION COMMITTEE
Charles R. Rayl, Chairman



CITY OF TOPEKA

Department of Public Works • Administration
515 S. Kansas Avenue 4th Flr.
Topeka, Kansas 66603-3422
Phone 785-368-3801
Fax 785-368-3806

February 19, 2003

Senate Committee on Assessment and Taxation

Chairman Corbin and Members of the Committee:

My name is Neil Dobler and I am the Director of Public Works for the City of Topeka. I am here this morning to speak in favor of SB 233, which will allow for the issue of a ¼ cent sales tax funding the reconstruction of the Topeka Boulevard Bridge to be placed in front of the voters of Shawnee County.

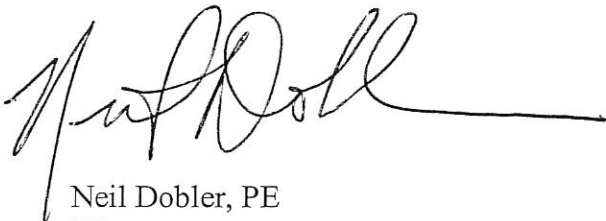
The Topeka Boulevard Bridge, constructed in 1938 is a vital regional link. The bridge under the jurisdiction of the Kansas Department of Transportation was transferred to the City of Topeka in 1998. In April, 2001, a portion of the bottom of the bridge deck fell and subsequent investigation revealed a seriously deteriorating structure. The bridge has been restricted to trucks and the expected life of the bridge, even under these reduced loads is less than 10 years.

The estimated cost is approximately \$40 million. The City of Topeka annually allots between \$3 million and \$5 million for street and bridge projects. To finance the bridge using general obligation bonds would mean doing no other normal projects for approximately 13 years.

During the initial study for the bridge replacement, public meetings and surveys indicated that the majority of the residents of Shawnee County were in favor of replacing the bridge and the majority favored a sales tax as the funding method.

Thank you for your time and I would ask for your support for Senate Bill 233.

Sincerely,



Neil Dobler, PE
Director

Senate Assessment & Taxation
2-20-03
Attachment 3



COMMITTEE ASSIGNMENTS

- WAYS AND MEANS
- ELECTIONS AND LOCAL GOVERNMENT
- TRANSPORTATION
- JOINT COMMITTEE ON SPECIAL CLAIMS AGAINST THE STATE
- TOPEKA STATE HOSPITAL CEMETERY MEMORIAL ADVISORY COMMITTEE
- JOINT COMMITTEE ON CHILDREN'S ISSUES
- SPECIAL COMMITTEE ON KANSAS SECURITY

DAVID D. JACKSON
 STATE SENATOR, 18TH DISTRICT
 NORTH SHAWNEE COUNTY
 HOME ADDRESS: 2815 NE ROCKAWAY TRAIL
 TOPEKA, KANSAS 66617-2305
 (785) 357-6538
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 TOPEKA, KANSAS 66612-1504
 785 296-7365
 email: Jackson@Senate.state.ks.us

SENATE CHAMBER

Testimony on Senate Bill 233
 Before the Senate Assessment and Taxation Committee
 David Corbin, Chair

The Topeka Boulevard Bridge has been a vital regional link of Topeka, Shawnee County, and the surrounding area for nearly 70 years. Originally a WPA project, it was an engineering marvel at the time of its opening, but not designed, of course, for the use that it sees in this day and age. Although the State spent several million dollars to take care of deferred maintenance before turning it over to the City, underlying problems were not discernible, and two or three years later, the bridge has become unreliable for weights above 5 tons. This is unacceptable for a regional bridge.

This bill will allow the voters of Topeka and Shawnee County to decide if bridge replacement is important enough to raise sales taxes 1/4% to fund the reconstruction. I urge your support of this bill and will stand for questions.

Thank You,

David D. Jackson
 Senator, 18th District

*Senate Assessment & Taxation
 2-20-03
 Attachment 4*



TOPEKA

SENATE CHAMBER

MARK W. TADDIKEN
 SENATOR, 21ST DISTRICT
 CLAY, CLOUD, MARSHALL
 NEMAHA, WASHINGTON, RILEY
 AND A PORTION OF
 POTTAWATOMIE COUNTY
 2614 HACKBERRY RD.
 CLIFTON, KS 66937
 (785) 926-3325

STATEHOUSE—ROOM 143-N
 TOPEKA, KS 66612
 (785) 296-7371 FAX 368-7119
 taddiken@senate.state.ks.us

COMMITTEE ASSIGNMENTS
 VICE-CHAIRMAN: ENERGY & NATURAL
 RESOURCES
 MEMBER: AGRICULTURE
 ASSESSMENT & TAXATION
 UTILITIES

**Testimony in Support of Senate Bill 78
 Assessed Valuation of School Districts
 By Senator Mark Taddiken**

February 20, 2003

Thank you Mr. Chairman for the opportunity to testify today on Senate Bill 78. SB 78 is a one page bill with a somewhat lengthy explanation. The real peanut of this bill centers around how a county clerk determines the valuation of a school district located within a Tax Increment Financing (TIF) district. TIF districts are formed to develop or redevelop areas for the economic benefit of the community.

The reason this is important is that this valuation is used to determine the amount of state aid a school district receives. A problem arises when a TIF district is created which artificially raises the wealth of a school district but at the same time lowers the amount of state aid it receives, while it's local revenue remains constant. The net effect is that the school district receives less revenue under our funding formula than before the TIF district was created. I believe this is an unintended consequence of the current TIF statutes.

The colored chart I have attached to my testimony may be helpful in better explaining the situation we have. In the example shown, the yellow represents the \$3 million BASE valuation of property in the school district before the TIF district is formed. Taxes from the \$3 million valuation go to local units including the school district. In this case a TIF district is formed and bonds are issued to pay for improvements to the property. When the TIF district is fully developed, it has increased in valuation by \$7 million. The taxes from the \$7 million increase go to pay off the TIF bonds. None of those tax dollars go to the school district. This is according to the original plan and everything is fine.

The problem occurs when the clerk reports the TOTAL valuation of \$10 million to the Department of Education for the purpose of determining the wealth of the school district. The true taxing wealth of the district is only \$3 million not the \$10 million in the report. The school district then has its state aid to local effort reduced and is in fact penalized because people in the local community tried to improve their economy.

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 2-20-03
 Attachment 5*

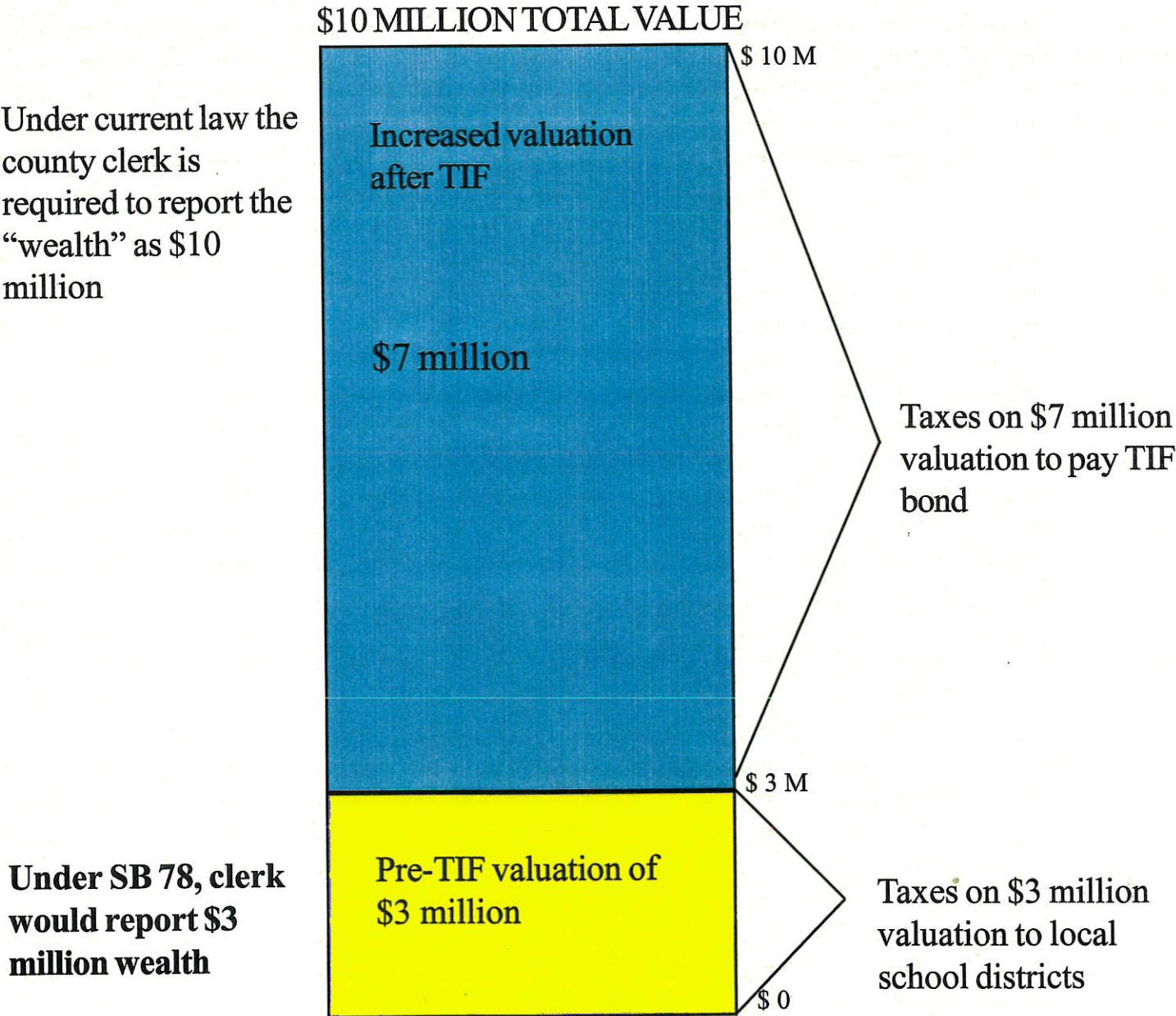
At the present time we think we have 36 TIF districts in Kansas located in Cloud, Johnson, Riley, Sedgwick, Wyandotte, and perhaps soon in Douglas counties. I say "think" because there isn't a central register in Kansas. The Department of Education has compiled a listing of school districts involved and the amount of money they should receive under our current formula but are not receiving because of the reporting requirement. *KDE sheet*

This bill would require county clerks to report the BASE valuation of property to accurately reflect the taxing authority of the school district until the TIF bonds are paid off. This would allow school districts to receive ^{*the correct*} an amount of state aid. I realize the cost to make this change is substantial, but I feel all students should be treated equally under our current formula. Students should not be penalized because their communities are trying to help themselves.

I ask for your favorable consideration of SB 78 and would be happy to stand for questions.

Wealth Reported to Department of Education for Determining State Aid to Local Effort

(the higher the wealth, the lower the amount of aid)





Kansas State Department of Education

120 S.E. 10th Avenue
Topeka, Kansas 66612-1182

February 14, 2003

TO: Senator Mark Taddiken

FROM: Dale M. Dennis, Deputy
Commissioner of Education

SUBJECT: Tax Increment Financing

This memorandum is written in response to your inquiry concerning tax increment financing. We took the information you received from county officials concerning the added valuation as result of tax increment financing projects and calculated the estimated supplemental general state aid and capital improvement state aid as shown below.

<u>County</u>	<u>School District</u>	<u>Additional Assd. Valuation</u>	<u>Estimated Supplemental Gen. State Aid</u>	<u>Estimated Capital Improve. State Aid</u>
CLOUD	#333 - Concordia	\$ 1,952,295	\$ 36,868	\$ 9,108
JOHNSON	#233 - Olathe	19,885,371	0	135,205
	#512 - Shawnee Mission	31,242,483	0	0
RILEY	#383 - Manhattan	8,616,079	180,267	42,626
SEDGWICK	#259 - Wichita	39,880,518	858,856	186,452
WYANDOTTE	#202 - Turner			
	#204 - Bonner Springs			
	#500 - Kansas City	9,662,522*	208,189*	77,955*
TOTALS		\$ 111,239,268	\$ 1,284,180	\$ 451,346
			+ 451,346 ←	
			<u>\$ 1,735,526</u>	

*Primarily #500 - Kansas City

Division of Fiscal & Administrative Services

785-296-3871 (phone)
785-296-0459 (fax)
785-296-6338 (TTY)
www.ksde.org

5-4

The TIF district was not suppose to effect our funding according to the city officials presenting it and asking for our support. We did not realize that the increased valuation would be reported instead of the valuation of the TIF district before improvements:

Result:

Our valuation with TIF district (before TIF district improvement) would be approximately \$40,000,000.

Our valuation with TIF district (after TIF district improvement) would be approximately \$45,000,000.

This results in our valuation per pupil being: \$ 39,130 instead of \$ 34,782
State average is \$ 60,441.

This effects state reimbursement for LOB: 35.2% instead of 42.5%

With an LOB of \$1,400,000, this means we lose state funding of \$100,709 (must increase local effort) **and** a loss in actual LOB (a capped fund) of \$155,556.

*Our 2003-2004 GFB will drop approximately \$231,000 from our published budget for 2002-2003. The drop in GFB will decrease the LOB (19.31%) another \$40,000. To add to the Special Education budget because of the loss of State Funding, we will need an additional \$110,000.

Local impact: decrease reg ed. budget by \$540,000 while increasing the local levy by 2.5 mills.

That is a decrease of 9.3% of the total reg. ed. spending from 02-03 to 03-04.

Don Wilson
USD 333

Senate Assessment & Taxation
2-20-03
Attachment 6

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



1420 SW Arrowhead Road • Topeka, Kansas 66604-4024
785-273-3600

Testimony on
S.B. 78 – School Districts; Assessed Valuation
Before the
Senate Committee on Assessment and Taxation

By
Mark Tallman, Assistant Executive Director/Advocacy

February 20, 2003

Mr. Chairman, Members of the Committee:

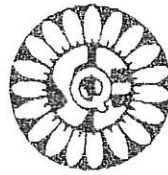
Thank you for the opportunity to appear before you today as a proponent of S.B. 78. As we understand the bill, this legislation would adjust the valuation of property in a redevelopment district, for purposes of determining the amount of state aid for supplemental state aid (local option budgets) and bond interest aid a district may receive.

KASB has a policy position that reads as follows: "Only tax resources that generate revenue for districts should be used to measure the ability of the district to pay its share of education funding." In other words, a school district's qualification for state aid should not be based on a measure of local wealth that is not taxed. Under current law, the valuation of a redevelopment district is counted toward assessed valuation per pupil, making the school district appear to be "wealthier" even though the school district does not receive revenue from the increased value of the district.

We support S.B. 78 as a matter of principle. We recognize that this bill has a fiscal note to the state. We do not believe the additional cost of this measure should be financed by reducing funding provided to other districts. Instead, we believe the state should raise additional revenues to finance this and other programs.

Thank you for your consideration.

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Attachment 7*



Schools for Quality Education

Bluemont Hall Manhattan, KS 66506 (913) 532-5886

February 20, 2003

TO: Senate Assessment & Taxation Committee
FROM: Schools For Quality Education – Jacque Oakes
SUBJECT: SB78 – School districts; assessed valuation thereof

Mr. Chair and Members of the Committee:

Schools For Quality Education is an organization representing 103 small school districts, and we are submitting written testimony in favor of SB 78.

Assessed valuations of property are extremely important to all school districts. The amount of state aid that a district receives for capital outlay and local option budgets are computed based on the assessed valuation. The lower the valuation, the more state aid a district receives.

Many small school districts have low assessed valuations. If that figure is inflated by a redevelopment district, the district is not valued at a realistic figure, and it is not receiving its fair share of state aid.

We applaud Senator Taddiken for introducing SB 78 and bringing this issue to the Committee's attention. Passage of this bill would bring fairness to the formula based on a true assessed valuation.

Thank you for your consideration of SB 78.

"Rural is Quality"

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2-20-03
Attachment 8