

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on January 29, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Hank Avila, Kansas Legislative Research Department  
Chris Courtwright, Kansas Legislative Research Department  
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Representative Peggy Mast  
Representative Don Hill  
Marc Goodman, Lyon County Counselor  
Matt Zimmerman, Emporia City Manager  
Jared Holste, Rawlins County Attorney

Others attending:

See attached list.

Bill Introductions:

Ms. Barb Langner, Kansas Health Policy Authority introduced a bill increasing the rate of taxation imposed upon cigarettes and tobacco products. A motion was made by Representative Carlson to accept the introduction. Representative Benlon seconded the motion. The motion carried.

Representative Annie Tietze requested a committee bill to rectify motor fuel tax underpayment to twenty counties without taxing for overpayment paybacks from other counties. A motion was made by Representative Menghini to accept the introduction and was seconded by Representative Hawk. The motion carried.

Representative Bill Wolf introduced a bill relating to exemptions, Golden Belt Community Concert Association. A motion was made by Representative Carlson to accept the introduction and was seconded by Representative Powell. The motion carried.

A motion was made by Representative Powell to introduce a committee bill concerning funding for a water plan. The motion was seconded by Representative Carlson. The motion carried.

Representative King made a motion to introduce a committee bill that would halt, through FY 2011, state matching funds for school district capital projects that have not been passed or had the election prove to be placed on the ballot by the start of this Legislative session. Representative Schwartz seconded the motion. The motion carried.

A motion was made by Representative Hawk to introduce a committee bill for Transportation Development District (TDD). The motion was seconded by Representative Menghini. The motion carried.

A motion was made by Representative Schroeder to introduce a committee bill reducing the general sales tax rate through various means. The motion was seconded by Representative Carlson. The motion carried.

A motion was made by Representative Kleeb to introduce a committee bill to repatriate foreign jobs outsourced by United States companies. The motion was seconded by Representative Kay Wolf. The motion carried.

**HB 2026 - Election in Lyon county to increase retailers' sales tax declared valid, and tax imposed.**

The Chairman opened the hearing on **HB 2026**.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on January 29, 2009, in Room 535-N of the Capitol.

Chris Courtwright gave a brief description of **HB 2026**. The bill will allow a one percent (1%) sales tax increase to help property tax relief with a sunset of 5 years. He stood for questions.

Richard Cram, Kansas Department of Revenue, and David Corbin, Assistant to the Secretary of Revenue, stood for questions concerning **HB 2026**.

Representative Peggy Mast testified in favor of **HB 2026** (Attachment 1).

Representative Don Hill testified in favor of **HB 2026** (Attachment 2). He described events in Lyon County that precipitated the request for a sales tax increase. He stood for questions.

Marc Goodman, Lyon County Counselor testified in favor of **HB 2026** (Attachment 3). Mr. Goodman stated the purpose of the bill is to validate the result of the election held in August 2008. He provided background information and a time line concerning the passage of the referendum to increase the sales tax in Lyon County. In August 2008, the county officials were made aware of not only problems with the implementation date, but of a misinterpretation of statutes as Lyon County already had a ½% tax in effect from 1999 for courthouse construction. This is a matter of high importance to the people of Lyon County. It is intended to provide property tax relief and assist capital outlays. By statute, its proceeds will be shared by all cities within Lyon County. He stood for questions.

Matt Zimmerman, Emporia City Manager, testified in favor of **HB 2026** (Attachment 4). Mr. Zimmerman stated that the voters passed a referendum, with a 62% majority, to collect a 1% sales tax to help reduce property taxes. A number of infrastructure improvements were delayed due to the unknown impacts from the Tyson layoffs. The referendum was a joint effort by the County Commission and City Commission to provide funding for maintaining infrastructure and lowering property taxes. The burden of funding would be moved from property taxes to sales taxes.

The Chairman closed the hearing on **HB 2026**.

**HB 2071 - Validation of election granting sales tax authority for Rawlins County.**

The Chairman opened the hearing on **HB 2071**.

Chris Courtwright explained the background of **HB 2071**.

Representative John Faber had introduced **HB 2071** but was not able to stay to discuss this bill due to a conflict.

Jared Holste, Rawlins County Attorney testified in support of **HB 2071** (Attachment 5). He stated that the bill will allow Rawlins County to levy an additional 0.75% local sales tax and to continue the building of a public swimming pool. Mr. Holste provided background information on the need for the bill. He stood for questions.

In August 2008 a request for the additional sales tax increase was put on the primary ballot and was approved by a 730-489 vote. In the general election the issue was put on the ballot and passed by a 1117-396 vote. However, this puts Rawlins County in excess of its 1.0% local sales tax permitted by K.S.A 12-187 and thus the need for **HB 2071**.

The Chairman closed the hearing on **HB 2071**.

The Chairman asked the committee members if there was an objection to working the **HB 2026** and **HB 2071**. Seeing as there were no objections, the chairman stated the committee would work the bills.

**Representative Powell made a motion to combine HB 2071 into HB 2026. Representative George seconded the motion. The motion carried.**

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on January 29, 2009, in Room 535-N of the Capitol.

Representative King made a motion to remove language requiring retailers be given 60 days notice prior to imposition. Representative Powell seconded the motion. The motion carried. Discussion ensued.

A motion to favorably move **HB 2026** as amended was made by Representative Menghini and seconded by Representative King. The motion carried.

Representative Carlson told the members Mark Tallman, Kansas Association of School Boards, provided information requested by the committee at the January 28<sup>th</sup> meeting (Attachment 6). The query concerned how Kansas Association of School Boards determined dues. The information is in their folders.

The next meeting is scheduled for February 3, 2009.

The meeting was adjourned at 10:30 a.m.



**TESTIMONY**  
January 29, 2009  
**HB 2026**

Mr. Chairman and members of the committee. I want to thank you for taking the time today to give a hearing for this important issue for Lyon County. I know most of you are rather amazed to see me testify on behalf of a tax increase, but we would all agree that when it was voted on by the individuals from the area; as representatives of the people, we must and will support it.

Lyon County gave the taxpayers of the county an opportunity to vote on a sales tax issue and it passed by a wide margin. I ask that you help them to give their area a chance now to bring the wish of the people to pass. This bill will allow them to get much needed funds to cover responsibilities that must be met. With that, I will stand for questions.

Respectfully,

Peggy Mast



TOPEKA

HOUSE OF  
REPRESENTATIVES

## Testimony on HB 2026 – House Tax Committee – January 29, 2009

Chairman Carlson and members of the Tax Committee, thank you for your work on this committee and for the opportunity to offer my testimony and support for HB 2026.

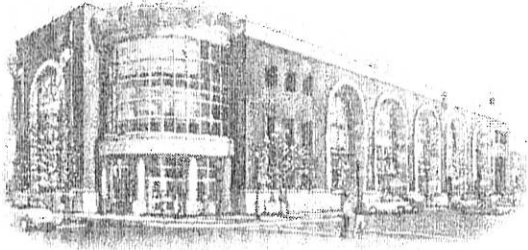
As you will learn from the testimony of conferees from Lyon County we had a situation with this County wide sales tax issue last spring where timing our local unit of government's need and the legislature's calendar did not match up very well.

The Lyon County Commission, the City of Emporia and the smaller cities in Lyon County all worked proactively in formulating the tax initiative. Unfortunately, during informal discussion of the policy the County received some incorrect advice which only came to light after the issue had passed by nearly a 2 to 1 margin.

We regret the need for this special legislation but respectfully request House Bill 2026 be passed without amendment so that this legislation might proceed through the process as expeditiously as possible so our local units of government may start receiving proceeds from the tax as soon as possible.

I want to thank our friends from Lyon County for being here with their testimony and I will be available if there are questions I might help answer.

Representative Don Hill, 60<sup>th</sup> District



# LYON COUNTY COURTHOUSE

430 COMMERCIAL  
EMPORIA, KANSAS

66801

MARC GOODMAN  
LYON COUNTY COUNSELOR  
TELEPHONE (620) 341-3270  
FACSIMILE (620) 341-3419

January 26, 2009

Representative Richard Carlson, Chairman  
House Taxation Committee  
Kansas House of Representatives  
Topeka, KS 66612

*Re: House Bill 2026*

Thank you for the opportunity to address the House Taxation Committee regarding House Bill 2026. On behalf of the Lyon County Commission and the people of Lyon County, I am here today to state support for this bill.

The purpose of the bill is to validate the result of the election held August 5, 2008, on the question of increasing the county-wide retailers' sales tax by 1%, in order to reduce the ad valorem property tax and for capital outlay. As in the House bill, the election question also provided for a five-year sunset after the commencement of the tax.

The issue of an increase in the county-wide retailers' sales tax had been researched and explored beginning in the Fall of 2007, and the possible need for implementing it was accelerated by the loss of revenues expected after the Tyson Fresh Meats closures in January, 2008.

On May 1, 2008, the Board of Commissioners of Lyon County formally discussed placing the sales tax question on the August 5, 2008 ballot, and then requested a resolution be prepared to enact the same.

On May 15, 2008, the Board passed the resolution proposing the 1% increase in county-wide retailers' sales tax to be submitted to the voters of the county at the election on August 5, 2008.

On June 20, 2008, notice was provided the County election officer that there would be a special question election.

On August 5, 2008 the election took place and on August 8, 2008 the Abstract of Votes was signed certifying that the yes vote was 2692, the nay 1615.

On August 14, 2008, the Board, as a result of the election, implemented the 1% increase in the county-wide retailers' sales tax by resolution, with an implementation date of October 1,

2008.

In discussion with the Kansas Department of Revenue between August 8, 2008, and August 14, 2008, county officials were made aware of not only problems with the implementation date, but of a misinterpretation of statutes as Lyon County already had a 1/2 % tax in effect from 1999 for courthouse construction.

House Bill 2026 is the mean of correcting the misinterpretation and validating the popular vote.

This correction is seen as a matter of high importance to the people of Lyon County. It now only is intended to provide property tax relief and assist capital outlay, but its proceeds by statute will be shared by all cities within Lyon County. Then it affords relief to the City of Emporia, but will provide a crucial revenue stream for projects in the small 3d class cities in Lyon County.

We respectfully request passage of House Bill 2026.

Thank you,

Marc Goodman  
Lyon County Counselor



TESTIMONY BEFORE THE HOUSE TAX COMMITTEE

January 29, 2009

The City of Emporia and Lyon County are seeking approval of HB 2026, which would permit Lyon County to collect the full 1% sales tax that the voters approved in August 2008. The voters passed the referendum by a 62% majority, showing a clear indication of the community's support for this tax. Unfortunately, the County is currently unable to collect the tax that was approved by the voters because Lyon County currently has a ½% sales tax to pay for a new Courthouse. Due the County Commission's prudent planning, the courthouse is anticipated to be paid off by 2012, seven years ahead of schedule.

This County pledged that the sales tax will be used to reduce property taxes. As a sign of good faith, the County Commission lowered the mil rate by over 5 mils for the 2009 fiscal year even though the sales tax is currently in abeyance. The City pledged to use its share of the sales tax to maintain its infrastructure. If this bill is not approved, it will delay infrastructure improvements to the tune of an estimated \$2,155,990 for FY 2009. The City, which delayed a number of infrastructure improvements in 2008 due to the unknown impacts from the Tyson layoffs, cannot afford to further delay maintenance of its streets, sidewalks and other critical infrastructure. If the bill is not passed shortly, the City will lose one-third of its anticipated revenues for 2009 as the City's budget was predicated on the authorizing legislation being passed in time to be implemented April 1. A delay to July 1 will cost the City approximately \$720,000.

The referendum was a joint effort by the County Commission and City Commission to provide a specific funding mechanism for maintaining infrastructure and lowering property taxes. by moving the burden from property taxes to sales taxes. The City joins the County in urging the Committee to pass HB 2026 in order to permit the will of the citizens to be carried out expeditiously. Thank you for this opportunity to testify before the Committee and I will be happy to answer any questions.

*MATT ZIMMERMAN  
EMPORIA CITY MANAGER*

607 MAIN STREET, SECOND FLOOR ROOM C  
ATWOOD, KANSAS 67730

**RAWLINS COUNTY PUBLIC BUILDING COMMISSION**

(785) 626-3351 | FAX (785) 626-9019

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January 29, 2009

Dear Members of the House Committee on Taxation:

My name is Jared Holste, and I am the Rawlins County Attorney and also a member of the Rawlins County Public Building Commission.


I am honored to come before your committee this morning and speak in favor of House Bill 2071. This amendment will allow Rawlins County to levy an additional 0.75% local sales tax, and to continue in its progress of building a new public swimming pool.

A small group of motivated Rawlins County citizens, the Atwood Swimming Pool and Park Project, has been working for over ten years to raise awareness and funding for a new swimming pool. Our current pool, which was constructed in the 1950s, is developing serious structural problems, and has become very expensive for the City of Atwood to repair and maintain. Unfortunately, due to budgetary problems which seem to plague many rural small towns, the City of Atwood was not able to finance the construction of a new swimming pool. The "Park and Pool Project" then went to the Rawlins County Commissioners in the spring of 2007 and asked the Commissioners for their help.

The Rawlins County Commissioners, wanting to "feel out" the public opinion on this issue, submitted an advisory question on the April 3, 2007 ballot. This question was approved by a 459-382 vote. The Rawlins County Commissioners then formed the Public Building Commission, with the idea that the PBC would issue bonds to finance the construction of the pool. After more meetings of the Public Building Commission itself, coupled with meetings between the PBC and the Rawlins County Commissioners, the Commissioners asked for the voters' approval of letting \$1.3 million in bonds for the construction of a new swimming pool. This question was submitted on the August 5, 2008 primary ballot and was approved by a 730-489 vote. Finally, on the November 4, 2008 general election ballot, the final sales tax question, establishing an additional county-wide 0.75% sales tax, was presented to the voters. This issue passed by a 1117-396 vote.

However, this additional 0.75% sales tax puts Rawlins County in excess of its 1.0 % local sales tax permitted by K.S.A. 12-187, so we have been working with Representative Faber to obtain the Kansas Legislature's permission to continue forward with our pool project, which brings me to your committee to ask for your assistance in approving House Bill 2071.

Thank you for your time and consideration, and I would be happy to answer any questions.

Sincerely,  
  
Jared Holste

House Taxation Committee  
1-29-09  
Attachment 5

**SAMPLE  
BALLOT**

State of Kansas  
**General Election Ballot**

**SAMPLE  
BALLOT**

**Question Submitted**  
County of Rawlins  
April 3, 2007

**Notice**

If you tear, deface or make a mistake and wrongfully mark any ballot, you must return it to the election board and receive a new ballot or set of ballots.

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To vote in favor of any question submitted upon this ballot, make a cross (X) or check (✓) mark in the square to the left of the word "Yes." To vote against it, make a cross (X) or check (✓) mark in the square to the left of the word "No."

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**QUESTION SUBMITTED**

**SHALL THE FOLLOWING BE AUTHORIZED?**

"Shall the Rawlins County Board of Commissioners create a Public Building Commission for the purpose of issuing Bonds in an amount not to exceed \$1.3 million dollars of additional tax levy to construct an swimming pool in the City of Atwood, to be exclusively operated and maintained by the City of Atwood?"

**YES**

**NO**

RAWLINS COUNTY  
PUBLIC BUILDING COMMISSION  
QUESTION SUBMITTED

**INSTRUCTIONS TO VOTERS:**

To vote in favor of any question submitted upon this ballot, darken the oval to the left of the word 'YES'. To vote against it, darken the oval to the left of the word 'NO'.

SHALL THE FOLLOWING BE ADOPTED?

Shall Rawlins County Public Building Commission be authorized to construct an aquatic center in the City of Atwood, Kansas by the issuance of Revenue Bonds not to exceed \$1,300,000 plus the amounts required for reasonable costs of issuance of the same, including the fees of a bonding company and legal costs, with the bonds to be financed by a 15 year lease to Rawlins County, in an amount necessary to discharge said bonds over a fifteen (15) year period through pledging a county-wide retailers' sales tax not to exceed .75 of one percent (.75%) for fifteen (15) years and/or a tax levy necessary to pay the lease?

YES

NO

11/4/2008

General Election

D	E	F
TOWNSHIP OFFICES	STATE JUDICIAL QUESTION NUMBER ONE	STATE JUDICIAL QUESTION NUMBER TWO
For TOWNSHIP TRUSTEE (VOTE FOR ONE)  <input type="radio"/> _____	To vote for a Justice of the Supreme Court being retained in office, darken the oval to the left of the word "Yes." To vote against a Justice of the Supreme Court being retained in office, darken the oval to the left of the word "No."	Shall RICHARD D. GREENE, Wichita, Position No. 10, Kansas Court of Appeals, be retained in office?  <input type="radio"/> YES <input type="radio"/> NO
For TOWNSHIP TREASURER (VOTE FOR ONE)  <input type="radio"/> _____	Shall ERIC S. ROSEN, Topeka, Position No. 4, Kansas Supreme Court, be retained in office?	RAWLINS COUNTY, KANSAS QUESTION SUBMITTED NO. 1
RAWLINS COUNTY HOSPITAL	<input type="radio"/> YES <input type="radio"/> NO	Shall the following be authorized?  The Rawlins County Hospital pursuant to K.S.A. 19-4606 shall have the authority to levy taxes not to exceed Thirteen (13) mills to fund the hospital operations for the next eight (8) years, beginning with the 2008 taxes.
For BOARD MEMBER POSITION NO. 5 (VOTE FOR ONE)  <input type="radio"/> LeROY LUEDDERS <input type="radio"/> _____	Shall LEE A. JOHNSON, Topeka, Position No. 6, Kansas Supreme Court, be retained in office?	To vote in favor of any question submitted upon this ballot, darken the oval to the left of the word "Yes." To vote against it, darken the oval to the left of the word "No."  <input type="radio"/> YES <input type="radio"/> NO
For BOARD MEMBER POSITION NO. 6 (VOTE FOR ONE)  <input type="radio"/> PHIL STUDER <input type="radio"/> _____	<input type="radio"/> YES <input type="radio"/> NO	STATE JUDICIAL QUESTION NUMBER TWO  <input type="radio"/> YES <input type="radio"/> NO
For BOARD MEMBER POSITION NO. 7 (VOTE FOR ONE)  <input type="radio"/> KENNETH MICEK <input type="radio"/> _____	To vote for a Judge of the Court of Appeals being retained in office, darken the oval to the left of the word "Yes." To vote against a Judge of the Court of Appeals being retained in office, darken the oval to the left of the word "No."	RAWLINS COUNTY, KANSAS QUESTION SUBMITTED NO. 2
For BOARD MEMBER POSITION NO. 8 (VOTE FOR ONE)  <input type="radio"/> PEGGY CABRINHA <input type="radio"/> _____	Shall STEVE LEBEN, Fairway, Position No. 2, Kansas Court of Appeals, be retained in office?	Shall the following be adopted?  Shall Rawlins County, Kansas, impose a three-fourths of one percent (.75%) county-wide sales tax, subject to validation by the Kansas Legislature, and pledge the revenues from such retailers' sales tax to paying for and/or financing the cost of constructing and equipping a public swimming pool in the City of Atwood, at an estimated cost not to exceed \$1,300,000 plus amounts required for necessary reserves and reasonable costs of issuance of sales tax revenue bonds, said tax to expire after all costs of constructing and equipping said swimming pool, and all indebtedness incurred in connection therewith, shall have been retired and paid in full.
For BOARD MEMBER POSITION NO. 9 (VOTE FOR ONE)  <input type="radio"/> KEVIN HOLLE <input type="radio"/> _____	Shall G. JOSEPH PIERRON, Lawrence, Position No. 3, Kansas Court of Appeals, be retained in office?	To vote in favor of any question submitted upon this ballot, darken the oval to the left of the word "Yes." To vote against it, darken the oval to the left of the word "No."
	Shall CHRISTEL E. MARQUARDT, Topeka, Position No. 5, Kansas Court of Appeals, be retained in office?	<input type="radio"/> YES <input type="radio"/> NO  <b>VOTE BOTH SIDES OF BALLOT</b>
D	E	F



TO: House Committee on Taxation  
FROM: Mark Tallman, Assistant Executive Director/Advocacy  
DATE: January 27, 2009

Mr. Chairman, Members of the Committee:

It is my understanding that I have been asked to respond to a question posed by a member of the committee about how KASB's dues are determined.

KASB's dues are determined annually by our Board of Directors. This 18-member body is composed as follows. Ten members are elected by local school boards in geographic regions for three year terms. Five members are chosen by the boards of the five largest member school districts in the state for three year terms. Each year, all KASB members may send one voting delegate to our Delegate Assembly, where a school board member is elected to a three-year term, first serving as President-elect then President and finally Immediate Past President. Those three officers complete the membership of our board. (The Delegate Assembly also determines our legislative policy positions.)

KASB dues are determined by a formula that has been modified in various ways over the years, but is essentially determined by a school district's budget. The lowest annual dues amount paid by any member is \$2,500. The highest, for the largest district in the state, is \$25,000 per year. (Although the highest dues level is 10 times the lowest, the budget of the largest school district is far more than 10 times the smallest, so larger districts pay proportionately less.)

Once the annual dues formula has been set by our board, it is up to each school board (or other eligible members, including service centers, special education cooperatives, technical colleges and community colleges) to decide whether to belong. Like any organization providing services (KASB is a not-for-profit corporation), we receive revenue only if our members believe the services they receive are worth the cost. We are pleased that in the current year, for the first time in our history, every Kansas school board belongs to KASB.

While advocacy in the Statehouse is probably the most visible KASB activity to most legislators, it accounts for a small percentage of our staff and budget. We provide legal assistance, teacher negotiations support, finance and educational research, assistance and educational programs for school boards and their administrative teams, insurance services and publications. Some of these services have a separate fee.

We believe our members feel KASB provides services that are either not available anywhere else, or delivers them at a lower cost. Many districts report the savings through our various programs outweigh the cost of our dues and fees – KASB actually saves districts money.

Obviously, KASB provides many of the same kinds of services to our members as state legislators and other government officials receive from organizations such as the National Conference of State Legislatures, the Education Commission of the States, the Council of State Governments, the National Association of State Boards of Education, and other similar groups. Just as many of these groups "lobby" the federal government based on positions adopted by their members; local school districts use KASB to communicate their concerns with the Kansas Legislature, Kansas State Board of Education and the Governor and executive branch.

I hope this has answered any questions. I would be happy to meet with the committee to discuss these issues if so requested.