

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:37 a.m. on February 9, 2010, in Room 152-S 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
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Representative John Grange
Jim Huntington, Kansas Wildscape Foundation
Charlie Black, Kansas Wildscape Foundation
Warren Gfeller, Kansas Wildscape Foundation
Mark Desetti, Kansas National Education Association, and Kansas Association of School Boards
Julie Hein, for Don Sayler, CEO of Kansas Restaurant and Hospitality Association
Shannon Jones, Executive Director Statewide Independent Living Council of Kansas
Richard Cram, Department of Revenue
Sen. Ruth Teichman
Vicky Johnson, Chief Council, Kansas Department of Transportation (speaking for Lindsey

Douglas)

Mark Beck, Director, Division of Property Valuation, Department of Revenue
DJ McMurry, Pratt County Appraiser

Others attending:

See attached list.

Sen Huntington was recognized by Chairman Donovan for a point of privilege to introduce her pages for the day.

Chairman Donovan opened the hearing on **SB 433 - Kansas Wildscape Foundation sales tax exemption**. He recognized Rep. John Grange, who spoke in favor of this bill. He explained bill would exempt the foundation from paying tax on the materials it uses to build cabins that are then placed on the grounds of State parks, wildlife areas, and fishing lakes. He further pointed out the duration of this exemption is limited to a specific number of cabins to be built; the project is privately funded; the cabins become the property of the State; and future revenue from the rental of these cabins will stay in the Parks Department. (Attachment 1)

Chairman Donovan then recognized Jim Huntington who informed the committee of previous initiatives of the Foundation, and stated that 95% of the monies raised for projects through the Kansas Wildscape Foundation go directly to the project. He gave an overview of the cabin project. Next to speak was Charlie Black, the Executive Director of the Kansas Wildscape Foundation, and former advertising executive in Wichita, gave a brief overview of the cabin project over the past several years. Cabins are now built by inmates at the Hutchinson, Ellsworth, and Norton Correctional Facilities. He went on to explain benefits and current status of this program. Warren Gfeller, Director of the Foundation told the committee the reason for their request for this tax exemption. (Attachment 2)

Chairman Donovan asked if anyone from the Wildlife and Parks Department was present. He wanted to know where the money the department receives from rental of these cabins goes. Mark Stock was in the audience and spoke to this question. He told the committee 75% of the revenue received goes to the Kansas Wildscape Foundation for repayment of the loan they have taken to pay for the cabins. The remaining 25% is used by the Department for expenditures, and off sets some of the general funding cuts. He also told the committee that the percentage changed last year. It had previously been 90% toward the loan and 10% for use of the department. The change was made because the revenue from the cabins is more than anticipated.

CONTINUATION SHEET

Minutes of the Senate Assessment and Taxation Committee at 10:37 a.m. on February 9, 2010, in Room 152-S of the Capitol.

Mark Desetti, representing Kansas National Education Association and the Kansas Association of School Boards, told the committee neither group he is representing is in favor nor in opposition to this bill. They would like to point out that granting this exemption would likely be contrary to the recommendations made by the Kansas Advisory Council on Intergovernmental Relations (KACIR). It also would be in against **SCR 1624 - Establishing a three-year moratorium on the granting of new tax exemptions, tax credits or economic development incentive programs involving employer withholding taxes.** (Attachment 3)

Julie Hein, Hein Law Firm, Chartered, spoke on behalf of Dan Sayler CEO of the Kansas Restaurant and Hospitality Association. The association is in opposition to this bill. They feel this bill will put the Department of Wildlife and Parks in the business of private enterprise, and in direct competition of the lodging industry in relation to hunting lodges, bed and breakfasts, and may also have an impact on motels. (Attachment 4)

The next opponent was Shannon Jones, Executive Director of SILCK (Statewide Independent Living Council of Kansas). She feels by granting this exemption, the legislature is, in effect, taking money from other agencies who have had funding reduced due to lack of state revenue. (Attachment 5)

Richard Cram, Department of Revenue, spoke in opposition to this bill. He pointed out the Kansas Advisory Council on Intergovernment Relations (KACIR) has introduced SCR 1624, and if this resolution is passed favorably, this bill will be in violation of the SCR. (Attachment 6)

Written testimony in opposition was received from Gary Brunk, President and CEO of Kansas Action for Children (Attachment 7) and from Kathy Cook, Executive director Kansas Families for Education. (Attachment 8)

Chairman Donovan asked if anyone else wanted to testify on this bill. Seeing none, he opened the hearing on **SB 445 - Property tax exemption, property held by secretary of transportation.** Sen. Ruth Teichman spoke to the committee about the effects of Kansas Department of Transportation owning right of way property for future use for highway projects. This has left payment of property taxes in limbo between KDOT who owns the property, and the former owner who now is leasing the property from KDOT, leaving the local municipalities without their share of the tax. She suggested an agreement to include a statement showing that monies collected from the rent or lease paid by the landowner will be paid back to the municipalities of the county – and that Pratt and Kingman counties current projects would be included. (Attachment 9)

Vicky Johnson, Chief Council, Kansas Department of Transportation (KDOT) spoke to the committee in place of Lindsey Douglas. She explained the department had acquired right of way along the highway since they know they will need it at some time in the near future. Now the department allows individuals to stay on the property until KDOT is actually ready to use that property. The department is trying to come up with a resolution to this situation. (Attachment 10) Sen. Donovan closed the hearing on this bill due to lack of a quorum. He apologized to those present and said he will re-open the hearing at a later date.

The next meeting will be February 10, 2010.

The meeting was adjourned at 11:39 a.m.

SENATE
Assessment & Taxation Committee
GUEST LIST

DATE: FEB 9, 2010

NAME	REPRESENTING
Warren Gfeller	Kansas Wildscape Foundation
CHARLIE BLACK	KANSAS WILDSCAPE FOUNDATION
Jim Huntington	KANSAS WILDSCAPE FOUNDATION
Rep John C. Grange	State Rep 75 th / Wildscape Board
Chris Barnes	
Karly McNeil	
Kelsie Bornholtz	
Julie Hein	Hern Law Firm
Bill Waters	PVD KDOR
Michelle Butler	Cap. Strategies

JOHN C. GRANGE
REPRESENTATIVE, 75TH DISTRICT
BUTLER COUNTY



TOPEKA
HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE CHAIRMAN: COMMERCE AND LABOR
MEMBER: AGRICULTURE AND
NATURAL RESOURCES
BUDGET
LEGISLATIVE POSTAUDIT
JUDICIARY

Testimony in Support of SB 433

February 9th, 2010

I appear before you today in support of The Kansas Wildscape Foundation's efforts to place cabins at the various state outdoor recreation sites.

Part of the mission of KDWP is to provide the public with the opportunities for use and appreciation of the natural resources of Kansas consistent with the conservation of those resources. **The Wildscape Foundation Cabins Project** supports those opportunities and should not be constrained by lack of funding

The KDWP cabins are located in the State Parks, Public Wildlife Areas and State Fishing Lakes. The cabins come with various amenities ranging from the most basic and primitive to those that include central heat and air conditioning with multiple sleeping areas and indoor plumbing.

Many of the KDWP cabins are in locations with no other facilities within close proximity; the cabin locations were selected to provide the public with access to these natural resources. This type of access benefits those first time campers as well as those with more experience that may not have access to other camping facilities and equipment.

Of particular interest to me is that this tax exemption request meets some very specific guidelines.

The exemption is narrowly focused on building material for the cabins built on behalf of. Kansas Wildscape Foundation; the duration is limited to build a specific number of cabins; positive cash flow affect on the SGF and KDWP funding that continues for a lifetime; project is privately funded; promotes tourism and maximizes utilization of our natural resources; the cabins become the property of the State of Kansas, and the future revenue stays with the Parks Department and provides funding outside of the SGF.

I respectfully ask for your support and I promise I will do my part with your House Colleagues.

Respectfully Submitted,

John C. Grange
Rep. John C. Grange

Sn Assmnt & Tax
2-9-10

Attachment # 1



Kansas Wildscape Foundation Testimony
Tax Exemption for Kansas State Cabins Project
Senate Bill 433

February 9, 2010

Sn Assmnt & Tax
2-9-10

Attachment # 2

THE KANSAS WILDSCAPE FOUNDATION

In early 1990, a few concerned Kansans met with then Governor Mike Hayden to discuss how a group of committed volunteers might team with the Kansas Dept of Wildlife and Parks (KDWP) to address an issue adversely affecting tourism and outdoor recreational opportunities throughout the Sunflower state: **Kansas encompasses 81,000 square miles and yet ranks 49th among 50 states in public land available per capita.**

In early 1991, The Kansas Wildscape Foundation, a nonprofit 501c3, was up and running and on its way toward the completion of 30 projects and a contribution of more than \$10,000,000 to those projects, and we have a total of \$16,000,000 within our sights.

Our mission: "To create, enhance and promote outdoor opportunities in Kansas". Simply stated, we are Kansans for Outdoor Kansas. With a dedicated volunteer board of 30 men and women throughout the state and a paid staff of two, we work hand in hand with KDWP to identify projects that will not be funded without private sector support, weigh the merits of those projects, determine how they can be funded, then get the job done.

It is important to note that none of our directors has ever received a dollar of remuneration for expenses incurred on behalf of our foundation. Furthermore, two annual fundraisers and other sources of income support our staff and overhead so that 95% of monies raised for a project go directly to those projects. We believe we are a model of efficiency.

As a brief overview, the following represent just two of our major initiatives:

1. The restoration of the wetlands at the Milford Reservoir. Kansas Wildscape raised \$1,250,000 for the \$5,000,000 restoration of 2300 wetland acres at Milford. Now completed, the restored acreage provides biking and hiking trails, birding sites and waterfowl hunting opportunities that did not exist.
2. Outdoor Kansas Kids (OK Kids). OK Kids was established because of our concern that youngsters today take little advantage of the outdoor recreational opportunities our state provides. With Bass Pro, Capitol Federal and others as sponsors, we now have 55 sites, and in the past nine years more than 100,000 kids and 10,000 adult volunteers have enjoyed camping, birding, canoeing, skeet shooting and a vast array of healthy outdoor recreation.
3. Our most recent initiative is the construction of modern cabins throughout the network of state parks. Our goal is 160 cabins which, when the debt is retired, will be deeded to the state as a gift from Kansas Wildscape.

We are here today to testify for a sales tax exemption for these cabins. We are not oblivious to the difficulties you face daily as you grapple with the remainder of the 2010 budget and prepare for 2011. However a small, one- time investment on your part will yield a substantial and immediate return to the state, now and for years to come.

Cabins Project Overview

Objective

Construct 160 cabins at all State Parks and State Lands. Total investment expected to be \$5.5 to \$6.5 million.

History

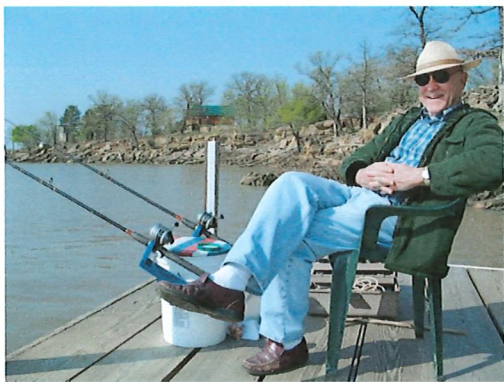
Started in 2002 by a \$50K grant from the Country Stampede, Wildscape was able to combine the grant with a 400K bank loan and purchase the first 11 cabins of the project. The first several cabins were “kit” cabins that were purchased from Cabelas. Since then, through a partnership between Wildscape, KDWP, Greenbush and the KS Dept. of Corrections, the cabins project has grown into an inmate training program and new cabins are being built by the inmates at the Hutchison, Ellsworth and Norton Correctional Facilities. Inmates participating on the cabin construction teams can become certified electricians, carpenters, plumbers, etc. A vast majority of inmates selected for these teams have no prior vocational experience and Dept. of Corrections supervisors all report that the program has led many inmates to a renewed sense of purpose and direction in their lives.



Structure is a Public/Private Partnership

Kansas Department of Wildlife and Parks (KDWP)

- Selects cabin sites.
- Manages day to day operations (i.e. reservations, check-in/check-out, cleaning, etc.)



Kansas Wildscape Foundation (KWF)

- Raises private money from Corporations/ individuals and arranges bank financing to fund the project.
- Arranges and pays premiums for property and casualty insurance coverage for the cabins
- Manages funds
- Provides administrative oversight

Kansas Department of Correction in partnership with Southeast Kansas Educational Services (Greenbush)

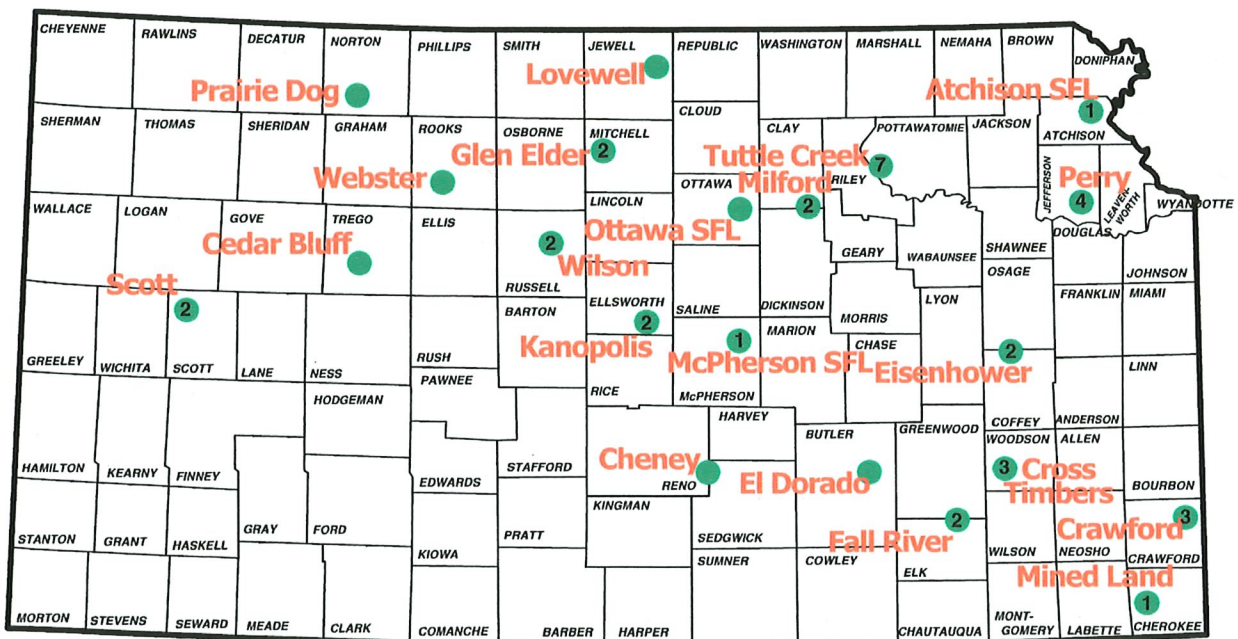
- Constructs cabins for the project

Benefits

- Offer overnight opportunities in Kansas Parks and Public lands to non campers and people without RVs. This is a new demographic visiting our state parks.
- Increase revenue collected by State Parks. Rental income to KDWP, once all cabins are on site, could exceed \$1.5 million without considering increased park permit revenues.
- Increase traffic in Kansas State Parks
- Attract visitors from outside of Kansas. (currently out-of-state occupancy rate is 30%, based on KDWP numbers.)
- Provide valuable training to inmates in Kansas Correction Institutions. Inmates that are part of the cabin construction teams can become certified electricians, carpenters, plumbers, etc.
- Increased economic activity for Kansas based businesses.

Current Status

- 38 Wildscape cabins are on-site at 15 State Parks and State Fishing Lakes. Total investment is in excess of \$1.1 million.
- 12 cabins are under construction at 3 DOC facilities. (Hutch, Norton and Ellsworth).
- Goal is to construct 25 to 30 cabins per year.
- Current material costs are around \$35,000 to \$38,000 *before sales tax*.
- Cabins are renting more nights per year than pro forma expectations, regardless of economic conditions. Demand for available cabin nights far outweighs the supply.
- Wildscape is constantly seeking ways to increase the number of cabins at state parks.
- KDWP reports a dramatic increase in traffic at Parks where cabins are on site.
- KDWP is also reporting non traditional users are renting the cabins, including a noticeable increase the number of people from out of State.
- All materials have been supplied by Kansas-based businesses.
- Local Kansas businesses and communities benefit from the increased tourism.



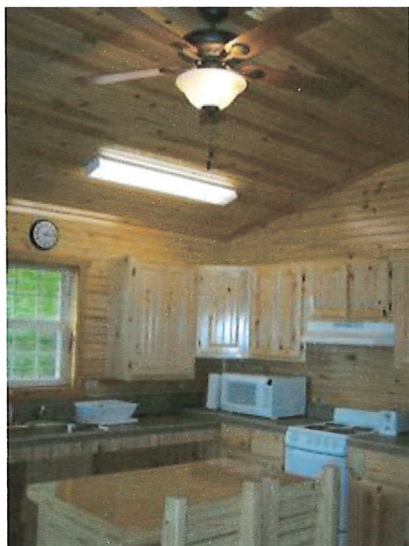
Our Request

We are requesting a sales tax abatement of approximately \$250,000 (\$50,000 to \$60,000 per year over the next 4 to 5 years) in order to continue our Cabin Project. During that period, we expect the State will benefit as follows:



- Approximately \$1.1 million from rental income collected by the State for cabins completed and placed on-line. (See Exhibit A)
- Higher park fees from first time visitors and increased frequency of visitors to our State parks.
- Increased tourism \$. KDWP estimates the cabins are currently rented 30% to 33% of the time by out of state visitors.
- Increased economic activity and income taxes from Kansas businesses supplying materials and services for the development, construction and installation of the cabins.
- Increased economic activity in communities in the area of the cabins.

Upon completion of the Project and payout of the bank loans arranged to finance construction of the cabins, Kansas Wildscape Foundation will deed to the state all 150 or so cabins – a value in excess of \$6.5 million and the state will collect an annual rental income from these cabins of approximately \$1.5 million.



Reason for our Request

The cost of the cabins is financed primarily from bank debt. Private donations provide the “equity” required by the bank. This structure has enabled us to accelerate the development of the cabins and thus the benefits to the State. As previously stated, we have constructed 37 cabins without the need to ask for this sales tax abatement. However, the cost of the cabins has increased from approximately \$33,000 per cabin for the early cabins to over \$44,000 per cabin currently and more increases can be expected before the project is completed. These increases have obviously changed the economics upon which the bank relies and potentially could jeopardize the timely completion of the program, thus substantially delaying and possibly eliminating the benefits realized by the State

Thank you for your consideration.

EXHIBIT A

	<u>2010</u>	<u>Calendar Year</u>		<u>2013</u>	<u>4 Year</u>
		<u>2011</u>	<u>2012</u>		<u>Total</u>
<u>Summary:</u>					
Estimate of annual sales tax abatement	60,000	60,000	60,000	60,000	240,000
Annual return:					
Rents collected by the State	90,000	180,000	270,000	360,000	900,000
Sales tax on incremental \$'s spent by out of state visitors	20,939	41,877	62,816	83,754	209,385
Estimated <u>annual</u> benefit to State of Kansas	110,939	221,877	332,816	443,754	1,109,385

Assumptions and Calculation details

# cabins to build	30	30	30	30	120
Cumulative cabins built next 4 years.	30	60	90	120	
Sales tax paid for each cabin, approx.	2,000	2,000	2,000	2,000	8,000
Average annual net rental/cabin collected by KDWP	10,000	10,000	10,000	10,000	40,000
Total State "Investment"	60,000	60,000	60,000	60,000	240,000
Annual rents from cabins	300,000	600,000	900,000	1,200,000	3,000,000
Annual direct benefit to KDWP @ 30% of rents	90,000	180,000	270,000	360,000	900,000
Rate of visitors from out of State	33.0%	33.0%	33.0%	33.0%	1
Rents paid by out of State visitors	99,000	198,000	297,000	396,000	990,000
Multiplier	3	3	3	3	12
Additional \$'s spent by out of state visitors	297,000	594,000	891,000	1,188,000	2,970,000
Sales tax on additional \$'s spent by out of state visitors	20,939	41,877	62,816	83,754	209,385



Making public schools great for every child

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

**Mark Desetti, Testimony
Senate Assessment and Taxation Committee
February 3, 2010**

Senate Bill 433

Also representing the Kansas Association of School Boards

Mister Chairman, members of the committee, thank you for the opportunity to provide testimony to you today sharing our thoughts on this sales tax exemption proposal. I would like to note that I am submitting this testimony today for both KNEA and the Kansas Association of School Boards.

We are not advocating for either the passage or defeat of this measure. We would like to simply point out what we see as some of the consequences.

Kansas already has an extraordinary number of sales tax exemptions. The statute is now in quadruple letters! In addition, Kansas does not now levy a sales tax on most services and cannot collect sales tax on many internet based purchases.

This bill represents a small exemption. No doubt the Kansas Wildscape Foundation is a good organization doing great work. But with each exemption granted, the state revenue stream is reduced.

I would point out that granting this exemption would likely be contrary to the recommendations made by the Kansas Advisory Council on Intergovernmental Relations on bringing stability to the exemptions process. KACIR is recommending the elimination of exemptions granted to specific organizations by name. I would also point out that this committee has introduced a resolution, SCR 1624, that would call for a three-year moratorium on the granting of new tax exemptions.

Additionally, the one tax proposal voted on to this point that would offset the loss of revenue that would result from the passage of this or any other tax reductions being debated this year – Governor Parkinson's sales tax proposal – has already be voted down in the House.

The tax system is like a balloon. When you squeeze one end of the balloon, the other end expands. If you collect less in sales tax, you have to make up for that loss with other taxes.

As a final note, we continue to believe that the Legislature should make a comprehensive examination of the entire tax system to ensure that our many provisions result in a system that will provide stable funding for all state services and that is fair to both citizens and business. Such a review would include taking a hard look at all sales tax exemptions and exclusions.

Sn Assmnt & Tax

2-9-10

Attachment # 3



**Testimony Re: SB 433 – Sales Tax Exemption for KS Wildscape Foundation
Senate Assessment and Taxation
February 3, 2010**

Chairman Donovan and Members of the Committee:

My name is Don Sayler and I am the CEO for the Kansas Restaurant & Hospitality Association (KRHA). KRHA is the leading business association for restaurants, hotels, motels, country clubs and allied business in Kansas. Along with the KRHA Educational Foundation, the association works to represent, educate and promote the growing industry of hospitality in Kansas.

I am here to present opposition to the sales tax exemption being request by this bill. We believe that this in effect puts the State of Kansas through the Department of Wildlife and Parks in the business of private enterprise. This becomes direct competition for the lodging industry in relation to hunting lodges and bed and breakfast and may also have an impact on motels.

Our understanding is that the cabins to be constructed will purchase materials and services exempt from sales tax. Additionally they will be built by labor from the Department of Corrections. Once they are built they will not be subject to sales tax, property tax or the transient guest tax (bed tax). Also, they will not be subject to any inspection to comply with the lodging code.

These exemptions and benefits definitely create an unfair advantage against the lodging industry. In light of the current state budget problems, we question whether this makes sense to allow any more exemptions and loss of revenue. This situation not only affects the state coffers, but also the cities and counties where the cabins will be located.

KRHA opposes this proposed sales tax exemption and the related implications. We ask that you consider the negative impact that the proposed exemption will have and oppose this legislation. Thank you for allowing me to provide testimony on this important issue.

Sn. Assmnt & Tax
2-9-10

Attachment # 4

TESTIMONY IN OPPOSITION TO SB 433
Senate Assessment and Taxation
February 3, 2010

Mr. Chairman and members of the Committee:

I am Shannon Jones, executive director of SILCK. We speak in opposition to SB 433. Our opposition is not related to the organization asking for the exemption. Our opposition relates to what seems to be the prevailing opinion that tax exemptions have no expenditure consequences. In the current tax framework, tax exemptions are giving without any thought as to transparency and accountability.

State agencies, K-12 and higher education funding get an annual review and when revenue is scarce; they all receive cuts. Their budgets are reduced by 5%, 10%, or 15%. The foundation or organization outside of state government comes to the legislature and the governor and says we are doing good and because of that we should have an exemption and the exemption lives on in perpetuity with the value of the exemption continuing at 100%. The state agencies and public education, also worthwhile and important functions within our state are called upon to do the same work as always but by the way your budget is reduced by 5%, 10% or 15%.

The state has provided \$10 Billion plus over the last 10 years in the way of tax exemptions, credits and exclusions. These exclusions have been provided with little transparency and accountability. These multiplying exemptions add to the revenue burden by shrinking the tax base. We view the task of the legislature as the body responsible for ensuring fairness and accountability for all of the citizens and not just the favored few.

In this time of revenue shortfall, you as legislators have a unique opportunity to re-instate fairness and accountability into our tax system. As you think of the exemptions before you and the exemptions already on the books, consider them as a budget item that needs to undergo the annual budget review in the same way as state agencies and public education and justify their existence as an expenditure and then include them as a line item in the final state budget so they can be reviewed by not only you but by all Kansans.

The SILCK will support you in any comprehensive review of exemptions, credits and exclusions to ensure fairness in the tax system. And after all of that, if it is determined that there is still the need for taxes; SILCK will support any move to increase taxes.

Senate Committee on Assessment and Taxation

Richard Cram

February 9, 2010

Testimony in Opposition to Senate Bill 433

Senator Donovan, Chair, and Members of the Committee:

Senate Bill 433 would provide a new sales tax exemption to the Kansas Wildscape Foundation, Inc. for the purpose of purchasing materials and services to build cabins to be installed at parks operated by the Department of Wildlife and Parks. The bill is estimated to have a negative fiscal impact of \$25,000 in FY 2011. The Department's fiscal note is attached.

There has literally been an explosion of new sales tax exemptions in recent decades-- some of them very significant in size, such as the expansion of the manufacturing machinery & equipment exemption, the addition of exemptions for churches and a host of other non-profits, custom software, aircraft repair, to name a few. Between 1985 and 2009, the number of sales tax exemptions has more than tripled, growing from 30 to 96. Sales tax exemptions shrink the tax base. Since 2003, the estimated value of foregone sales and use tax revenue from exemptions has grown from \$3 billion to \$4.2 billion in 2009. This is more than double the consensus revenue estimate for FY 10 state sales and use tax receipts, \$1.88 billion.

The Kansas Advisory Council on Intergovernmental Relations (KACIR) has introduced Senate Concurrent Resolution No. 1624 providing for a three-year moratorium on the granting of any new sales tax exemptions, property tax exemptions, income tax credits, or economic development incentive programs involving the diversion of employer withholding taxes from the State General Fund. If this resolution is passed favorably, Senate Bill 433 would violate it.

The State is looking to solve a negative gap of over \$400 million between FY 2011 expenditures and projected revenues. Senate Bill 433 will worsen that problem.

The Department urges the Committee not to take favorable action on this proposal, or other similar proposals granting any new sales tax exemptions.

2010 Senate Bill 433a Fiscal Note

Introduced as a Senate Bill

Brief of Bill

Senate Bill 433, as Introduced, would amend K.S.A. 79-3606 to provide a sales tax exemption for Kansas Wildscape Foundation, Inc. The provision would exempt all sales of tangible personal property and services purchased by or on behalf of Kansas Wildscape Foundation, Inc for the purpose of providing management and administrative oversight and the costs of construction and placement of cabins for lodging at Kansas state parks and state lands pursuant to the cabins project for the Kansas state parks and public lands.

The Act would be effective July 1, 2010

Fiscal Impact

The exemption for Kansas Wildscape Foundation, Inc is estimated to result in the loss of \$25,000 annually. The organization purchases finished cabins at an average cost of \$45,000 per cabin, with materials comprising 60% of the costs and approximately 15 cabins to be purchased annually.

Fiscal

Year	Total	State	Hwy	Local
2010	\$25,000.00	\$21,925.00	\$3,075.00	\$6,250.00
2011	\$25,750.00	\$22,582.75	\$3,167.25	\$6,437.50
2012	\$26,522.50	\$23,260.23	\$3,262.27	\$6,630.63
2013	\$27,318.18	\$23,958.04	\$3,360.14	\$6,829.54
2014	\$28,137.72	\$24,676.78	\$3,460.94	\$7,034.43

Administrative Impact

No administrative costs associated with this bill.


Administrative Problems and Comments

The department respectively suggests the "on behalf of" language be removed from the exemption on purchases and project exemption certificate language be inserted. This would be consistent with most sales tax exemptions and provides greater controls on the administration of exempt purchases. With the proposed language, there are no controls to ensure that the purchase being made "on behalf of" the organization are actually being used by the organization.

Taxpayer/Customer Impact

Legal Impact

FISCAL FOCUS

Budget and Tax Policy in  Perspective

Gary Brunk
WRITTEN TESTIMONY - Senate Bill 433
Senate Committee on Assessment and Taxation
February 3, 2010

Kansas Action for Children is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

Our opposition to Senate Bill 433 is not specific to the Kansas Wildscape Foundation, but is instead a reflection of our general concern about the erosion of the sales tax base. The sales tax is a key source of revenue to the State General Fund (SGF), which is in turn a key source of funding for state government and for programs and services vital to children and families. The number of sales tax exemptions in Kansas has more than doubled in the past 15 years, resulting in a significant reduction in possible SGF revenues.

In fact, the budget shortfall that we face in Kansas is not entirely a function of a struggling economy. We know that our state's current tax structure is no longer keeping pace with public infrastructure costs. Although major components of the Kansas tax structure have been in place for quite some time, the strength of our tax policy has eroded little by little through legislative action each year. In the past four years alone, tax cuts including the elimination of the estate tax and the franchise tax and the passage of several sales tax exemptions has resulted in a State General Fund revenue reduction of almost \$180 million in this fiscal year alone. This cut in the tax base will grow to over \$200 million dollars in fiscal year 2011.

In light of the very serious budget gap that we face in Kansas this year and because further erosion of the sales tax base would only contribute to structural problems with the Kansas tax system, we urge your opposition of SB 433.



Kansas Families for Education

Demanding Excellent Public Schools

**Kathy Cook, Executive Director
Kansas Families for Education**

**Senate Assessment and Taxation Committee
February 3, 2010
SB433 – Sales tax exemption**

Mr. Chairman, members of the committee thank you for the opportunity to come before you today. My name is Kathy Cook, and I appear before the committee today on behalf of Kansas Families for Education. Until this bill was introduced I have to admit that I was unfamiliar with the work of Kansas Wildscape Foundation, although once I visited their website I realized that I was familiar with many of their programs. We in no way discount the good work that this organization is doing. It has benefited many Kansas families and their children.

Our opposition to this bill is simple; the state of Kansas cannot afford to give away money we don't have. Each of you has a responsibility to fund the many programs that your constituents rely on, from public education to core transportation needs to providing services to the disabled and elderly. You have had to make cuts that are impacting the quality of education and the quality of life for many of our citizens. As a legislative body we ask you to put a moratorium on all tax exemptions for a minimum of three years and define a clear policy on how those will be granted in the future. We need a sound revenue foundation on which to face this decade's challenges.

If the state coffers were overflowing we would not be standing here today to oppose this bill. However, we are at a crossroads where choices must be made, and we believe that we must address the **shortfall** in revenues, not increase the shortfall.

Although we support the work of Kansas Wildscape Foundation and the extracurricular opportunities they provide, they cannot substitute for a quality education received in our schools. Just as I would not take money out of my son's college education fund for an extracurricular activity, the state should not take money from the general fund, which our schools, the disabled, and the elderly depend on.

Again, we urge you to vote no on SB433.

Thank you.

Kathy Cook
Kathy.Cook@fundourpublicschools.com



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIR: FINANCIAL INSTITUTIONS AND INSURANCE
 VICE CHAIR: NATURAL RESOURCES
 MEMBER: EDUCATION
 WAYS & MEANS
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Thank you, Mr. Chairman, for allowing me the opportunity to speak to you today about **SB 445 - Property tax exemption, property held by secretary of transportation.**

KDOT's Comprehensive Transportation Program is in the process of completing the project along Highway 54 in the Pratt-Kingman County area. There is a portion of the highway being built around the north side of Kingman and also a portion around the south side of Cunningham with additional lane mileage in the Cunningham area. The rest of the CPT project is the buying of the right-of-way in those two counties. The problem that has occurred is a result of the terms of the project.

The agreement that was reached directed KDOT to purchase all the right-of-way in the Kingman and Pratt counties. KDOT would hold the property until a future date when a new transportation program could continue the four-lane highway in that area. KDOT has purchased the right-of-way, so the land is in limbo.

The landowners claim the land belongs to KDOT so they no longer have to pay the property taxes. The municipalities want someone to pay the taxes on land that may not be used for a highway project for many years. To my knowledge, this is the first time that KDOT has purchased right-of-way this far in advance of a project.

The solution that I discussed with KDOT would be a joint-use agreement with the landowners. It was also my understanding that the bill would take care of the problem that currently exists with the Pratt/Kingman situation.

This bill does address exempting land acquisitions in advance of construction; however, it does not address the problem that I am concerned about. I would like the bill to further spell out the agreement to be made between the landowner and KDOT. I would also like to make sure that it applies to the current project in the Pratt/ Kingman area.

In my opinion, the agreement should include a statement showing that monies collected from the rent/lease paid by the landowner will be paid back to the municipalities of the county and it would apply to the current projects in Pratt and Kingman counties.

Sn. Assmnt & Tax
2-9-10

Attachment # 9

**TESTIMONY BEFORE THE
SENATE ASSESSMENT AND TAXATION COMMITTEE**

**REGARDING SENATE BILL 445
RELATING TO PROPERTY TAX EXEMPTIONS FOR KDOT PROPERTY**

February 9, 2010

Mr. Chairman and Committee Members:

I am Lindsey Douglas, Legislative Liaison for the Kansas Department of Transportation (KDOT). I appreciate the opportunity to provide testimony in support of Senate Bill 445.

Senate Bill 445 would clarify existing law by amending K.S.A. 79-201a *Seventeenth*. The bill would provide that property acquired by KDOT in advance of construction is not subject to property taxes, regardless of the use the property is put to between the time of acquisition and the time of ultimate use for state highway purposes.

In 1963 the Kansas legislature passed K.S.A. 68-423a allowing KDOT to purchase and condemn property in advance of programmed construction. The legislature provided in K.S.A. 68-423a that the purchase or condemnation of property in advance of construction was for "a public use and purpose and for a public highway purpose." The benefits of advanced acquisition were set out in the law: "for the purpose of eliminating costly details in construction, reducing hardship to owners of such property, and eliminating economic waste occasioned by the improvement of such property immediately prior to its acquisition for highway uses." Since that time, KDOT has judiciously utilized the provisions of K.S.A. 68-423a to acquire property in advance of construction. KDOT has not paid property taxes, nor was KDOT asked to pay property taxes, on property acquired in advance of construction.

Current law in K.S.A. 79-201a exempts "all property, including interests less than fee ownership, acquired by [KDOT and] used in the administration, construction, maintenance or operation of the state system of highways, regardless of how or when acquired." However, in the last year KDOT was approached by two county appraisers that were of the opinion that existing law was not clear and that certain property acquired in advance of construction should be subject to property taxes. KDOT was sent property tax bills on those properties. KDOT's concern is that other county appraisers may now take a course of action and bill the department for taxes on advance acquired property. Rather than appeal the county appraisers' decisions to the Court of Tax Appeals, KDOT would like for existing law to be amended with the clarification provided by SB 445.

The amendment provided in SB 445 would clarify existing law and make the legislative intent behind K.S.A. 68-423a and 79-201a absolutely clear. Property acquired by KDOT in advance of construction is for a public use and purpose and for a public highway purpose. The property is not and never has been subject to property taxes.

Thank you again for the opportunity to testify in support of SB 445. I will stand for questions at the appropriate time.

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Sn. Assmnt & Tax

2-9-10

Attachment # 10