

Written Testimony in Support of SB 155 – Assessed Valuation of Certain School Districts
House Standing Committee on Education
March 1, 2012 @ 9:00am
Room 784-DSOB

Testimony of: Jeffrey J. Quirin, PhD

Esteemed Members of the House Committee on Education:

Due to the extensive research I have conducted on this issue, I offer this detailed, written testimony in support of SB 155. As you will see in the subsequent pages, the results of my research show that none of the current, four school districts in Labette County requested the land comprising the Kansas Army Ammunition Plant (KAAP) be included in their respective boundaries. This was due to the belief that territory owned by the U.S. Government was exempt from school unification and therefore not includable. My research, coupled with the current, County and community-wide effort to revitalize and privatize the KAAP property, suggest that a revenue-sharing model would be the most appropriate manner in which to allocate any future property tax revenues from this particular economic initiative.

Personal Background

I reside in Parsons, KS, am a fifth generation Kansan, and native of Labette County. My great-great grandfather migrated from Germany and homesteaded land on the Neosho-Labette County line. I was educated for the first 23 years of my life in Kansas schools and universities and left our great State only briefly to pursue doctoral studies in my chosen field of accounting. I quickly returned to Kansas upon graduation from the University of Nebraska-Lincoln, worked as an assistant professor at Kansas State University, and then took a similar position with Wichita State University in 2000. I am currently a full professor within the WSU School of Accountancy and hold the W. Frank Barton Distinguished Chair in Business. In addition to my duties as university professor, I am commonly called upon by attorneys and District Court Judges across the State to provide expert litigation support and trial testimony on complex accounting and valuation matters. I have resided in Parsons since accepting employment at WSU and commute back and forth daily. I am in the middle of my first term on the USD 503 - Parsons Board of Education and currently serve as the Board President.

Local Efforts Concerning SB 155

SB 155 provides a means for computing the assessed valuation of school districts for the payment, distribution, or allocation of eventual state aid and school taxes. In short, SB 155 essentially allows for the valuation of the property within the boundaries of the former KAAP located in Labette County to be shared among the county's four school districts (USD 503, USD 504, USD 505, and USD 506) if and when the property were to eventually be privatized. During the 2011 legislative session, it is my understanding that representatives of USD 506 were the only individuals who did not speak in favor of SB 155.

As a Board of Education member, it was also my understanding that House Committee on Education leadership requested that representatives of USD 506 pursue a local solution to this issue prior to the Committee deliberating this Bill. I only recently decided to provide testimony in support of SB 155. I did so because I found the results of my own legal research regarding the

land contained within the KAAP boundaries to be not only compelling but also in direct conflict with statements made by opponents of the Bill.

During the past year, leadership from USDs 503, 504, and 505 eagerly awaited the opportunity to meet with USD 506 representatives to discuss SB 155 in order to negotiate a local solution. The districts were eventually contacted by Chuck Stockton, USD 506 Superintendent, on November 29, 2011. During this initial communication from Mr. Stockton, the respective superintendents were informed that he and former USD 506 board member, Jennifer Mathes, would be hosting a meeting on January 4, 2012 whereby they would be providing a brief presentation concerning the Bill. The three superintendents and one board member from each of the school districts were invited to attend.

In accordance with Mr. Stockton's request, the three superintendents as well as the three presidents of the respective boards of education traveled to Altamont on January 4, 2012 for the presentation. In addition to Mr. Stockton and Mrs. Mathes, the current USD 506 Board President, also attended the meeting.

The meeting commenced with Mr. Stockton thanking those in attendance. He indicated that the purpose of the meeting was not to persuade anyone into supporting a certain decision but to inform everyone of the history of the Bill and the land contained within the boundaries of the former KAAP. Mr. Stockton then introduced Mrs. Mathes who would be presenting the actual information. Mrs. Mathes provided her perceptions of the history of the KAAP and then followed with her opinions of the undesirable consequences of SB 155. The tone of the meeting quickly shifted from "informative" to "threatening" as Mrs. Mathes progressed through her presentation. When it became clear that Mrs. Mathes' statements and attitude were both inappropriate for a professional setting, those in attendance excused themselves and the meeting adjourned.

Historical Background of KAAP Territory and Labette County School Districts Pre-1963

In 1940, nearly 14,000 acres of Labette County property was condemned to house what would be the eventual KAAP. Construction activities at the Kansas Ordinance Plant, the original name for the KAAP, were initiated in 1941 and completed in November 1942. At present, the KAAP territory contains 13,727 acres and has approximately 624 buildings that total more than 2.5 million square feet of floor space.

Since it has been owned by the U.S. Government for over seven decades, most residents of Labette County perceive that the land contained within the KAAP is not part of any contemporary school district. In contrast, opponents of SB 155 who represent USD 506 – Labette County indicate that the KAAP land has been within USD 506 boundaries since 1893. Since USD 506 has been regarded as the "county school" for the past five decades, I found it conceivable that this could indeed be the case. However, evidence indicates that USD 506's contentions are incorrect.

Legal and mapping documents reveal that prior to the 1940 land condemnation the acreage within the KAAP boundaries was actually contained within eight common community school districts. These school districts included School District #17, School District #48, School District #21, School District #13, School District #8, School District #10, School District #55, and School District #18. The two districts that were entirely contained within the boundaries of the KAAP property (#17 and #48) were disorganized. Other districts that were only partially-impacted by the condemnation (#21, #13, #8, #10, #55, and #18) were consolidated into other neighboring community districts. Records reveal that other than School District #18 all of the resulting consolidated districts from the 1940 condemnation were actually taken in by Service Valley Joint District #7 which is a

predecessor to what is now referred to as USD 504 – Oswego. School District #18 was consolidated with Parsons School District #33 which is the predecessor of what is now referred to as USD 503 – Parsons.

Kansas School Unification Act (KSUA) of 1963 and Labette County Planning Board

In 1963, the Kansas Legislature enacted House Bill 377, mandating that each county in Kansas take charge of unifying its school districts (copy included herein as Exhibit #1). Under the legislation, each county was to appoint a six-member planning board charged with steering the amalgamation of its school districts. The planning board was then to submit recommendations to the State Superintendent of Public Instruction for approval and formation of a unified school district.

Documents indicate the cities of Labette County including Parsons, Oswego, and Chetopa each selected one member for the county planning board. The other three members were selected from the remainder of the county which was mostly within the predecessor district of USD 506 which was referred to at the time as Labette County Community High School District (LCCHS). A heated dispute soon arose regarding whether Oswego and Chetopa should be included within the LCCHS District or be joined as a separate district.

In January 1964, the State Superintendent of Public Instruction responded to a request for intervention by the then Superintendent of LCCHS, Herman F. Harrison. The State Superintendent, Adel F. Throckmorton, respectfully declined involvement as he felt it was premature. (A copy of this communication is contained herein as Exhibit #2).

In February 1964, the planning board further indicated to Superintendent Throckmorton that a stalemate had been reached. (A copy of this communication is contained herein as Exhibit #3).

Meetings of the county planning board continued until it was essentially decided by default that the three major cities within the county (Parsons, Oswego, Chetopa) would each have a school district and the county district (LCCHS) would also remain.

KSUA Amendment of 1965 and Resulting Labette County School Districts

On January 1, 1965, House Bill 377 was amended and restated as House Bill 539 (copy included herein as Exhibit #4). Under House Bill 539, the State Superintendent of Public Instruction was given the authority to vary the boundaries recommended by the county planning boards when forming a unified school district. This was a significant change from the former house bill which limited the Superintendent's authority to merely *approving or disapproving* the recommendations received from the planning board. Additionally, House Bill 539 allowed unifying districts to draw in 20 square miles of territory outside of the existing boundaries of the district requesting unification. Outside territory was limited to only 10 square miles under the 1963 law.

A Resolution and Petition for Establishment of Unified District was filed by the Parsons City Schools on March 7, 1966. The Order Organizing Unified School District #503 comprised of approximately 51 square miles of territory was subsequently signed by State Superintendent Throckmorton on March 16, 1966. (Copies of these documents are contained herein as Exhibits #5 and #6, respectively).

Similar resolutions and petitions from the city school districts of Oswego and Chetopa were also filed in 1966. Orders organizing those school districts into USD 504 (33 square miles of territory) and USD 505 (45 square miles of territory), respectively, were also signed by State Superintendent

Throckmorton on March 16, 1966. (Copies of these documents are contained herein as Exhibits #7, #8, #9 and #10).

The last district to petition for unification was the LCCHS District on April 6, 1966. Within the Resolution and Petition for Establishment of Unified District (copy contained herein as Exhibit #11), LCCHS requested that they receive *“all territory now in Labette County, Kansas, not within the territory and boundary lines of the Parsons Unified School District No. 503, Oswego Unified School District No. 504, or the Chetopa Unified School District No. 505. Also excluded is the Kansas Ordinance Plant. The boundary lines of such unified district are as follows....”*

The Order Organizing Unified School District #506 comprised of approximately 500 square miles of territory was subsequently signed by State Superintendent Throckmorton on April 11, 1966 (copy contained herein as Exhibit #12). The Order adopted, in part, the Petition submitted by LCCHS. Without explanation, however, the State Superintendent included the entire Kansas Ordinance Plant within the boundaries of the newly-established USD #506.

While LCCHS specifically omitted the Kansas Ordinance Plant from its proposed boundaries, the State Superintendent included this territory when he unified the District pursuant to authority granted to him by House Bill 539. Under the former law (House Bill 377), he would have not had such authority.

Explanation for Excluding KAAP Land from Unified School District Boundaries

As I researched the formation of the four existing school districts within Labette County, it became clear that the boundaries as requested by each district in 1966 were specifically drawn around the land comprising the KAAP. Within the USD 503 Resolution and Petition, I recognized the name of one member of the district petitioning committee who had signed the original document, Dr. Dale T. Newland. In 1958, Dr. Newland came to Parsons and opened his optometry practice. He was and still is a highly-regarded member of the community. Dr. Newland retired in 1999 and now resides in Florida. Knowing that Dr. Newland was still of sound mind, I contacted him via telephone for an interview. I asked him why the USD 503 Resolution and Petition drew boundaries around the north and east edges of the KAAP. His response was immediate, *“None of us had a right to that land. The KAAP was exempt from unification due to it being owned by the Federal Government. To my knowledge, none of the unifying school districts requested the KAAP land within their boundaries and that is how it probably stands today.”*

Dr. Newland had no idea that the State Superintendent had unilaterally assigned the KAAP land to USD 506 back in 1966. He further explained that the disagreement among members of the county planning board as well as questions from the school boards of the various community schools led to several trips to Topeka for meetings with Superintendent Throckmorton in the mid-1960's. Dr. Newland indicated that the KAAP land was one topic of discussion during those meetings and that everyone involved in the County school unification process understood that the KAAP land was to be excluded from their proposed territories.

Labette County School Districts Today

The four unified school districts within Labette County resulting from the school unification laws of 1963 and 1965 are still in existence today. The table below shows that USD 506 – Labette County is the largest of the four districts when judged by full-time student equivalency (FTE), total State aid, and square miles of territory but marginally smaller than USD 503 – Parsons from an assessed

valuation perspective. USD 503 – Parsons is slightly smaller from FTE and State aid perspectives and USD 504 – Oswego and USD 505 – Chetopa are sizably smaller.

<i>District</i>	<i>FTE</i>	<i>Total State Aid</i>	<i>Encompassing Territory</i>	<i>Assessed Value</i>
#503	1,173	\$8,907,951	51 square miles	\$51,222,228
#504	475	\$4,232,568	33 square miles	\$11,267,309
#505	468	\$4,540,266	45 square miles	\$14,000,099
#506	1,601	\$11,345,496	500 square miles	\$49,089,263

Transition from KAAP to Great Plains Development Authority (GPDA)

The acreage originally amassed to form the KAAP now comprises what is referred to as the Great Plains Industrial Park. To accommodate Congress' efforts to streamline America's military operations, KAAP was placed on the 2005 Base Realignment and Closure list. Consequently, all production operations ceased in 2008. The GPDA was created under Kansas Statutes by the Labette County Commission to acquire and develop a large portion of the property to offset the loss of jobs, ensure remediation efforts, and return the property to productive use. A large portion of the site was transferred from the United States Army to the GPDA in 2010. Environmental regulators have determined that 88 percent of the new industrial park's grounds are free of contamination, and ready for immediate development, since the property provided buffer zones for production areas. Remediation efforts have begun on the remaining 12 percent.

The Board of Directors of the GPDA is appointed by the Labette County Commission, with each of the nine appointees serving a three-year term. Board members are residents of Labette County and are selected based on their abilities to provide necessary skills and knowledge to help the staff best carry out the function of the GPDA. Total funding through the 2011 budget year for the GPDA totaled \$5,630,112. Funding has been provided through a variety of sources as is shown in the table contained in Exhibit #13.

Uniqueness of KAAP/GPDA Fact Pattern

Opponents of SB 155 suggest that the land that currently houses the Great Plains Industrial Park is no different than any other power plant, ammunition plant, or any of a wide variety of similar initiatives across the State of Kansas. Accordingly, opponents propose that any property tax revenues generated from future development flow to USD 506 – Labette County. Opponents further contend that any other approach would set an undesirable precedent. Research indicates that it would be incorrect to liken what the GPDA and residents of Labette County are doing with any other project in the State of Kansas. Therefore, the setting of a precedent via the passage of SB 155 is highly unlikely.

The KAAP/GPDA fact pattern is very unique. The KAAP rests on land that was condemned by the U.S. Government from landowners in 1940. Prior to 1940, this land was not wholly-contained within any of the existing school districts established as a result of the 1960's school unification efforts. The U.S. Government has continued to own, operate, and maintain this land for over 70 years. The land was and still is being transferred to the GPDA which is a local, quasi-municipality. This quasi-municipality was established to benefit the entire County when it was created by the Labette County Commission. Any revenues that are eventually generated from this project are the direct result of the literally thousands of citizens across the County who have and will continue to donate their time and money to ensure that this project succeeds. When the 2005 Base Realignment and Closure List was announced, business and community leaders from Labette County were the very first to appear in the Pentagon to discuss options. This private citizen to U.S.

Government to quasi-municipality ownership transition and the related series of events transpiring since 1940 are unlike any other economic initiative that has been pursued in Kansas.

Revenue Allocation Method as Proposed by SB 155

Opponents of SB 155 indicate that using assessed valuation as the revenue allocation basis is volatile and negatively impacts rural school districts. Practically speaking, from a pure equity standpoint, assessed valuation is the only method of revenue allocation that is justifiable. SB 155 essentially maintains the current proportion of assessed valuation within each of the County's four school districts. Thus, if a school district currently possesses 20 percent of the County's assessed valuation within its boundaries, the language provided in SB 155 allocates 20 percent of any additional valuation provided from properties within the Great Plains Industrial Park. The impact of SB 155 would be to maintain the current assessed valuation proportions possessed by each school district thereby allowing all of the County's K-12 students to share in the future benefits of this County-wide effort.

Summary and Conclusion

Unfortunately, very little progress has been made concerning local solutions to the assessed valuation and revenue allocation issues addressed by SB 155. The opponents of SB 155 ask that you take a low effort approach and only evaluate this issue on the surface. Consequently, the largest school district in Labette County, by virtue of it being the least timely with its unification petition, will then receive 100 percent of any eventual property tax revenues from this economic initiative.

There is no question that the prescriptions for valuation and revenue allocation offered in SB 155 parallel the intentions, efforts, and actions of the entire Labette County community. As a life-long resident of Labette County, it is my hope that this revenue-sharing plan will be the first of many joint ventures between the local school districts. In economic times like those we experience today, it is clear that rural communities and schools will be forced to work together more than ever.

For 14 years, I have dedicated my life to serving my students as an educator for the State of Kansas. Furthermore, I have been called upon on countless occasions to serve as an officer of the Court for some of the most complex accounting matters encountered by our State's District Court system. In both of these lines of work, facts are extremely important. Oftentimes, uncovering the facts is a long and seemingly overwhelming task. Within the preceding pages, I summarize the facts associated with this particular matter and also offer supporting evidence within the attached Exhibits. I ask that you seriously consider SB 155 as well as the contents of my testimony. I would be happy to make myself available for points of clarification and questioning during or after the hearing on this Bill.

Sincerely,

Jeffrey J. Quirin, PhD