

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 10, 2005 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

SB 58

*Proponents:

Mayor Carlos Mayans, City of Wichita
Commissioner Tom Winters, Sedgwick County
Tom Docking, Wichita Downtown Development Corporation
Richard Taylor, Building and Construction Trade Council of Central and Western Kansas
Lyndon Wells, Chairman-elect, Wichita Area Chamber of Commerce
Mayor John Waltner, City of Hesston (Regional Economic Area Partnership)
John Rolfe, Wichita Convention and Visitors Bureau
Dr. Les Ruthven, Greater Wichita Area Sports Commission
Deborah Stout, Volunteer for "Vote Yea" arena campaign
Natalie Bright, Wichita Independent Business Association
Susan Wenger, Wichita Area Realtors
Jim DeHoff, AFL-CIO

(13) written testimonies: (1) Ed Wolverton, President of the Wichita Downtown Development Corp. (2) Bob Hanson, President & CEO, Greater Wichita Sports Commission (3) George Fahnestock, Past Chairman, Greater Wichita Sports Commission (4) Steve and Becky Shaad, citizens (5) Tom Rangel, AIA, Law/Kingdon, Inc. (6) Dion P. Avello, Mayor, City of Dakota (7) Steve Grimes, Wichita volunteer (8) Don Blasi, Director, Wichita Growth Center, P.A. (9) William B. Moore, Executive VP, Westar Energy (10) Dan Lien, citizen (11) Bryan Derreberry, The Wichita Chamber (12) Bud Burke, Cessna Aircraft Company (13) Jim Davis, Business Manager for IBEW Local 271, Wichita submitted 18 signature letters

*Opponents:

John R. Todd, Wichita Real Estate Broker
Jerry Winkelman, Wichita
Karl Peterjohn, KS Taxpayers Network
William T. Davitt, citizen

HCR 5009

*Proponents:

Representative Frank Miller
Ed Jaskinia, Topeka Real Estate Agent

*Opponents:

Larry Baer, League of Kansas Municipalities
Karl Peterjohn, KS Taxpayers Network
Mark S. Beck, Director, Division of Property Valuation (written testimony only)

Others attending:

See attached list.

HB 2505 - Emerging Industry Investment Act

The Chairman made the motion to substitute **HB 2505**, exactly as passed out March 8, 2005, of the Taxation Committee, into **HB 2003** to address a procedural problem. Representative Gilmore seconded the motion. The motion passed.

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SB 58 - Authorizing countywide retailers' sales tax for Sedgwick county arena

Mr. Courtwright stated that the bill would amend a local sales tax statute to ratify the results of a November 2004 election, in Sedgwick County, relative to the imposition of a 1 percent sales tax earmarked for constructing and equipping a new regional events center; design of and improvements to the Kansas Coliseum Complex; and various operation, maintenance, site-acquisition, and infrastructure costs associated with such facilities. The tax would be implemented on July 1, 2005 and would sunset on or before December 31, 2007.

PROPOSERS:

Mayor Carlos Mayans, City of Wichita, testified in support of **SB 58 (Attachment 1)**. He stated that Wichita had seen the decline in their downtown area. Many businesses had moved out, resulting in less energy and business activity in the core of their city. They had undertaken several projects to reverse that trend. Old Town has flourished and the Waterwalk project is now underway and the construction of a Downtown Arena will be the next step in creating a new synergy in their city. He strongly urged the Legislature's support to pass **SB 58** to help them build a vibrant Wichita and Sedgwick County.

Commissioner Tom Winters, Sedgwick County, appeared in support of **SB 58 (Attachment 2)**. The timing of the proposal, along with their need to move ahead with renovations at the Kansas Coliseum, a presidential election in November, and the fact that the legislature was not in session were the reasons they moved ahead with the vote without first coming to the legislature. This type of request, for ratification of vote, has occurred in two other counties in the past. The election results clearly gave them the indication that Sedgwick County citizens are prepared to proceed with a Downtown Arena: 78% of registered voters in Sedgwick County turned out to vote on November 2, 2004, and of them, 52% approved this local initiative.

Tom Docking, Wichita Downtown Development Corporation, rose in support of **SB 58 (Attachment 3)**. The Downtown Arena project is their local initiative to better their community and region. The businesses are supportive of the project, the citizens of Sedgwick County have a clear vision of growth and prosperity and have approved this initiative. He urged the Committee to pass **SB 58** so they may move ahead with the plans and projects already set in place.

Richard Taylor, Building and Construction Trade Council of Central and Western Kansas, appeared in support of **SB 58 (Attachment 4)**. He stated that their organizations were behind this project 100%. Their more than 10,000 members were among the 52% in Sedgwick County who voted to support the Downtown Arena. They understand the project, its costs, and the benefit of development (jobs) now and in the future. It is time to build the Downtown Arena - if their community is going to remain competitive in the business world.

Lyndon Wells, Chairman-elect, Wichita Area Chamber of Commerce, testified in support of **SB 58 (Attachment 5)**. The business community has stood behind the downtown arena effort and, although sensitive to the overall cost of doing business including taxation, has felt a temporary tax, for a specific purpose, voted on by the public was important to achieving their regional objectives for the future.

Mayor John Waltner, City of Hesston, stood before the Committee in support of **SB 58 (Attachment 6)**. The Regional Economic Area Partnership also supports SB 58 on the principal of local control. The citizens of Sedgwick County voted to implement this temporary 1 cent sales tax to finance a specific project. The local government officials of REAP urge legislators to recognize and acknowledge this vote.

John Rolfe, Wichita Convention and Visitors Bureau, testified in support of **SB 58 (Attachment 7)**. They support the Downtown Arena because of the value it would bring to Wichita and their region. They know that there are many events the arena will host that will be one-day concerts or shows. But, from a convention perspective, it also provides additional space to host large conventions and groups.

Dr. Les Ruthven, Greater Wichita Area Sports Commission, stated that his company was a board member of the Sports Commission because it believed in the value of sports in society, and it's place as one of the major keys to quality of life and economic development (**Attachment 8**). Wichita and Kansas are hidden jewels in the Midwest, but in order to keep jobs here and to bring good jobs to the South-Central region, they have to

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have what their competitors have, which includes the regional events center. He urged the Committee to express their confidence in the voters of Sedgwick County by passing **SB 58**.

Deborah Stout, a volunteer for "Vote Yea" arena campaign, testified in support of **SB 58** (Attachment 9). She urged the Committee to pass the bill on behalf of over 800 volunteers that worked on the Downtown Arena project. She cited six reasons that the volunteers were committed to the project and asked the Committee to stand behind the will of the people by helping them improve their community.

Natalie Bright, Wichita Independent Business Association, rose in support of **SB 58** (Attachment 10). She testified that it was a rare opportunity when their membership asked government to support a tax increase. Yet, it was also a monumental event when they could assure the government that the majority of the citizens, that this tax would impact, had already voted to support its enactment.

Susan Wenger, Wichita Area Realtors, stated that they believed that a new downtown arena, especially in conjunction with the nearby Wichita Waterwalk, would generate substantial economic activity and development and continue the revitalization of downtown Wichita (Attachment 11). The revitalization has been stimulated by the development of numerous museums, the Hyatt Hotel, apartments and condominiums, the Old Town Warehouse District and several other developments in the area. Those developments had provided a good start, but they need to continue this momentum and finish the job. She urged passage of **SB 58**.

Jim DeHoff, AFL-CIO testified on behalf of 100,000 Kansas members who were very interested in economic development issues in Kansas. The Downtown Arena would create new jobs, new construction and new permanent jobs when the project was completed. He urged the Committee's support in passing **SB 58** (Attachment 12).

There were thirteen written testimonies and eighteen signature letters submitted in support of **SB 58** (Attachment 13): (1) Ed Wolverton, President of the Wichita Downtown Development Corp. (2) Bob Hanson, President & CEO, Greater Wichita Sports Commission (3) George Fahnestock, Past Chairman, Greater Wichita Sports Commission (4) Steve and Becky Shaad, citizens (5) Tom Rangel, AIA, Law/Kingdon, Inc. (6) Dion P. Avello, Mayor, City of Dakota (7) Steve Grimes, Wichita volunteer (8) Don Blasi, Director, Wichita Growth Center, P.A. (9) William B. Moore, Executive V.P., Westar Energy (10) Dan Lien, citizen (11) Bryan Derreberry, The Wichita Chamber (12) Bud Burke, Cessna Aircraft Company (13) Jim Davis, Business Manager for IBEW Local 271, Wichita, submitted 18 signature letters.

OPPONENTS:

John R. Todd, Wichita Real Estate Broker, rose in opposition to **SB 58** (Attachment 14). He stated that under current state law, counties in Kansas are not authorized to raise county sales taxes for projects like the proposed downtown arena project without first obtaining the required legislative approval prior to any vote of the public and the passage of SB 58 would make an illegal vote legal. The Committee should reject the bill or at the very least amend the bill by approving the 1% sales tax subject to a *new vote of the people*, as current law requires. His testimony included a letter from Bob Weeks, a Wichita citizen.

To address Mr. Todd's comments the Chairman asked staff, in their opinion, whether **SB 58** would have any legal issues if they proceed. Staff responded that the Legislature had ratified elections, retroactively relative to local sales tax on three previous occasions. The Chairman stated that to clarify the question, they had previously consulted with a number of attorneys to ensure the legality of the issue. They were *all uniform* in saying that this is a legal way to proceed. The statement that they were not following the "rule of law" was untrue.

Jerry Winkelman, citizen of Wichita, testified in opposition to **SB 58** (Attachment 15). He stated that in many conversations with citizens and through an individual private poll that he had conducted, he found that 85% of the Sedgwick County citizens opposed the downtown arena sales tax. He provided questions and answers to many of the concerns of the people. His testimony included various newspaper articles regarding the sales tax.

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Karl Peterjohn, KS Taxpayers Network, appeared in opposition to **SB 58** (Attachment 16). He stated that the bill was a flawed bill that should either be re-drafted or defeated in its current form. He outlined four reasons for his statement: (1) grossly non-uniform statute, (2) the bill is insulting to taxpayers; and by making an advisory vote retroactively into a binding vote was an affront to the rule of law (3) opposition efforts, privately funded, were outspent by greater than 2 - 1 margin by city, county and state funded tax dollars spent by tax funded organizations and (4) there were two options available for Sedgwick County and Wichita if the Legislature did not act. He urged the Committee to reject **SB 58**.

William T. Davitt, citizen, testified in opposition to the downtown arena (Attachment 17). He stated there was no need for a new 15,000 seat arena in Sedgwick County. He quoted an article in the January 18, 2005 Wichita Eagle “ *Coliseum crowds fell 21% in 2004. The drop in attendance caused some to question again the need for a downtown arena*”. He was an advocate for the Coliseum to be remodeled, stating that it would cost only a fraction of what it will cost to go downtown.

The Chairman asked Mayor Carlos Mayans to advise the committee of the current economic climate in Wichita. He stated that when he took office, unemployment was 7.1%. It is 6% now. The business projections regarding the air industry are favorable. There are plans to grow the workforce of the Boeing commercial plant from 7,000 to 18,000 and plans to undertake a \$1 billion modernization of the plant in order to do this. In conclusion the economic outlook for Wichita is quite positive.

The Chairman closed the public hearing on **SB 58**.

HCR 5009- A Constitutional Amendment providing formula for appraised valuation of residential property.

Mr. Courtwright stated that **HCR 5009** proposes to amend the property tax classification amendment to the Kansas Constitution, by inserting a mandate that the Legislature provide that the appraised valuation of real property, that is used for residential purposes that is sold, shall be adjusted, retroactively to an amount equal to the average of what the appraised valuation of that property is, and what it actually sells for. This would be voted on November 2, 2006.

The Chairman opened the public hearing on **HCR 5009**

Frank Miller, sponsor of the bill, provided the history, from 1998 to 2002, of the appraised value of his previous home. Included in his testimony was an article from the Topeka Capital-Journal, which further substantiated the problem of residential property being over valued. He stated that **HCR 5009** would amend the Kansas Constitution so that when a residential property is sold, the appraised value of that home must be lowered or increased to the average of the latest appraised value, and the actual selling price of the home. The details requiring that the sale must be made “at arms length” would be specified statutorily by the legislature once the amendment was ratified by the voters (Attachment 18).

Discussion followed regarding the appeal process available to citizens to contest the assessed property valuation.

Ed Jaskinia, Topeka real estate agent, rose in support of **HCR 5009**. This resolution would only be in effect for one year, as far as new property is concerned (no written testimony). This is not an all encompassing bill with a huge fiscal impact and would protect busy people from the necessity of going through the appeal process.

Larry Baer, League of Kansas Municipalities, stood in opposition to **HCR 5009** (Attachment 19). The resolution proposes to amend the Kansas Constitution by providing a simple formula for the adjustment of appraised values of residential properties at the time of sale. While the League understands the intent of **HCR 5009**, it is the unintended consequences of the resolution that pose the problems. It would result in artificially decreasing appraised values and, consequently, the assessed valuations and, therefore, be in violation of the “uniform and equal” requirements of the Kansas Constitution.

Karl Peterjohn, KS Taxpayers Network, appeared to confirm a similar circumstance in the significant number

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of complaints he had received regarding soaring valuation appraisals (no written testimony). This is a problem, and although he had concerns about **HCR 5009**, he believed the Committee should address this issue in the near future.

Written testimony from Mark S. Beck, Director, Division of Property Valuation, was distributed regarding **HCR 5009** (Attachment 20). The amendment raised several issues that need to be acknowledged and discussed prior to implementation and eleven key points were delineated for discussion.

The Chairman closed the public hearing on **HCR 5009**.

Mr. Courtwright, KS Legislative Research Department, distributed copies of the State General Fund (SGF) receipts July, 2004 through February, 2005 (Attachment 21). Data included the State General Fund Receipts for the following categories:

- Actual FY 2004,
- Estimated, Actual and % Difference for FY 2005
- Percent Increase relative to FY 2004.

The meeting was adjourned at 11:00 a.m. The next meeting is March 11, 2005.