

Approved January 25, 1990  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at  
Chairperson

11:00 ~~a.m.~~ on Monday, January 22, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Office  
Tom Severn, Research Department  
Chris Courtwright, Research Department  
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Dan Radakovich, Vice President-Academic Affairs, Johnson County Comm. College  
Bob Lytle, Attorney at Law-Representing Johnson County Community College  
Kevin Robertson, Director of Governmental Affairs, KS Assoc. of Area Voc-Tech

Chairman Thiessen called the meeting to order at 11:08, and told the committee members they had minutes dated January 17, and January 18 and would ask for the committees pleasure at the end of the meeting. He then called upon Dan Radakovich, Vice President-Academic Affairs, Johnson County Community College.

Dan Radakovich said he would like this committee to be aware of the tremendous impact, both to education and to commerce and industry, that educational training centers such as the Industrial Training Center for Burlington Northern Railroad recently completed at their College make to local communities. He related to the Committee the difficulties the College had to cope with before they completed the project. He said, SB432 will alleviate the difficulties they experienced in obtaining their educational center.

He said Burlington Northern came to them several years ago to seek the assistance of their business and industry staff in evaluating their training facilities. Burlington Northern had previously located their corporate headquarters in Overland Park, close to the College campus. The Director of Technical Training for the railroad asked if we could provide some specialized welding training for their employees attending their world wide training institute. Burlington railroad did not want to buy a building, and they would like to work it so a voc-tech could be in a building at the College. He said, they could not build a building to lease, and they asked the City of Overland Park, KS to come in with them. On the last page of my written testimony (ATTACHMENT 1) the chart shows the Burlington project economic impact on Johnson County, and the total amount of money spent by the Railroad and their employees. The amount was \$4,513,500. He said, if the City of Overland Park had not come in with them, then the Railroad would have gone to Texas. They stayed in Kansas and they train in our Johnson County Community College. He said, short line railroads have to train their employees now, and they send the new trainees to us.

Mr. Radakovich, said he would like to introduce their attorney Bob Lytle.

Bob Lytle, Attorney at Law said SB432 which the committee is considering, makes it possible for the College to complete additional industrial educational centers should the opportunity arise again. Similarly, the bill you are considering clarify the situation of the exclusivity of use at the completion of the ten year revenue bond. The College will then own the property and will be providing training to students in the facility. SB432 makes abundantly clear that this type of usage of property owned by the College will continue to be tax exempt. He said, the bonds will provide for maintenance through revenue bonds, and will pay for utilities and upkeep. This is funded by Burlington Railroad.

After committee discussion, Chairman Thiessen asked Mr. Lytle if the college has a long term commitment. Mr. Lytle said yes and they have a convertible building, and if Burlington decided to move to Texas, the Community College could carry on.

Chairman Thiessen called upon Kevin Robertson, Director of Governmental Affairs, KS Association of Area Voc Tech.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,

room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Monday, January 22, 1990.

Kevin Robertson said SB432 is the result of a 1989 interim study by the Legislative Educational Planning Committee. He said the bill would allow all area voc-tech schools the opportunity to use revenue bonds to finance such buildings as student unions, kitchens, field houses, dining halls, parking facilities, libraries, and dormitories. He said, 2 area voc-tech schools already have the authority to issue revenue bonds for such buildings. and the bill would allow revenue bonds to be used for financing of "industrial training facilities used primarily for academic or vocational education programs designed for and operated under contract with private industry or industries".

In Johnson County Burlington Northern employees spend six weeks at a time in training at the community college. Hotels, restaurants and other businesses, as well as the state, have benefitted in increased revenue from Burlington Northern sending hundreds of out-of-state employees to train at Johnson County Community College. (ATT. 2)

Having no questions The Chairman concluded hearings on SB432.

Senator Karr made a motion to adopt the minutes of January 17, and January 18, 1990, 2nd by Senator Langworthy. The motion carried.

Chairman Thiessen adjourned the meeting at 11:40 a.m.

Testimony of Dan Radakovitch

I am appearing before the Senate Committee on Taxation in support of Senate Bill <sup>432</sup>~~177~~ and Senate Bill ~~178~~.

I am the Vice President for Academic Affairs at the Johnson County Community College located in Overland Park, Kansas. The President of the College, Charles J. Carlsen, is unable to appear before the Committee in support of these Bills because of a commitment made by him prior to the notice we received from our attorney, Mr. Lytle, of your hearing schedule. He and I want the Committee, and through you, the legislators of our State, to be aware of the tremendous impact, both to education and to commerce and industry, that educational training centers such as the Industrial Training Center for Burlington Northern Railroad recently completed at our College make to local communities.

Our attorney will explain the difficulties the College encountered and ultimately resolved in locating this world wide training center at our College. I would like to relate to the Committee the difficulties the College had to cope with before we completed the project. These Senate Bills will alleviate the difficulties we experienced in obtaining this educational center.

Burlington Northern came to us several years ago to seek the assistance of our business and industry staff in evaluating their training facilities. Burlington Northern had previously located their corporate headquarters in Overland Park not far from the College campus. The Director of Technical Training for the railroad

inquired of the College if we could provide some specialized welding training for their employees attending their world wide training institute. From these discussions, the College and the railroad concluded there would be significant advantages to both the railroad and the college if the training center for the technical training of employees of the railroad could be located on our campus. The College attorneys recommended a training contract with ownership of the facilities constructed at the College being retained by the College. This advice was based upon the exemption requirements of the property tax laws and the concern about completion of construction in accordance with College requirements. The attorneys for the railroad, however, desired the security of an ownership position or at a base minimum a long term lease because of the substantial investment of personnel, property and monetary commitments for their world wide training center. Negotiations waned because of these apparent conflicting but real problems. While the College and Burlington grappled with these concerns, Burlington received significant and substantial offers to locate their training center in other states who sought the location of such a stimulus to their economy. Finally it was determined that one method for accomplishing the transaction, although it was somewhat unique and cumbersome, would permit the goals of both the College and the railroad to be accomplished. This method involved the City of Overland Park, Kansas, the municipality in which the College is located, issuing its industrial revenue bonds for the railroad and as part of this transaction the City and the College would enter

into an intergovernmental agreement approved by the Attorney General of the State of Kansas which provided for the conveyance to the City of the footprint of the ITC Building to be constructed at the College and the usage of the industrial revenue bonds of the City for the construction of the industrial training center at the College. The lease payments made by the industry and the College, (two-thirds by the railroad, one-third by the College) permits the industrial revenue bonds to be paid for in ten years and at the end of the ten year period the ownership of the building is transferred to the college and Burlington Northern has agreed to a gift to the College of their interest in the building. The City of Overland Park granted tax abatement to the project for the ten year period as permitted by law for industrial revenue bonds.

I have attached to my testimony one of many articles written about this project. You will see by examining it that this project has, and will continue to have, a significant impact upon our community and also provides the College with a training center largely paid for by the railroad. It also provides the College the tremendous educational opportunity of using its staff and instructors for the instructional needs of a significant number of employees of the railroad from all parts of the country. These students will avail themselves not only of the railroad's technical instructors but they will use the College's instructors in a number of technical and academic disciplines. There will be at any given time twenty to fifty railroad employees who will be in attendance at the industrial training center and who will be housed in hotel rooms

that will amount to an estimated 20,000 hotel and motel room nights a year. The College is not only using one-third of the building on an exclusive basis for its own courses, it shares the remaining classrooms with the railroad. In addition, the College and the railroad have entered into contracted service agreements with the College providing academic, technical and support services to the railroad and its employees. These contracts are negotiated at a rate of compensation that not only covers the College's direct cost but also pays for the indirect costs of the operation of the College.

As our attorney will explain, the bills that you are now considering make it possible for the College to complete additional industrial educational centers should the opportunity arise again. Similarly, the bills you are considering clarify the situation of the exclusivity of use at the completion of the ten year revenue bond. The College will then own the property and will be providing training to students in the facility. Senate Bill <sup>432</sup> ~~100~~ ~~as amended~~ makes abundantly clear that this type of usage of property owned by the College will continue to be tax exempt.

BURLINGTON PROJECT  
ECONOMIC IMPACT ON JOHNSON COUNTY

	<u>1988</u>	<u>1989</u>
LODGING	\$ 790,500	\$ 942,100
FOOD	433,800	517,000
ENTERTAINMENT	98,600	117,500
BNR PAYROLL	1,164,000	1,205,000
LOCAL PURCHASES	1,206,000	1,447,200
AIRLINE TICKETS	41,700	49,700
MISCELLANEOUS	<u>192,300</u>	<u>235,000</u>
TOTALS	\$3,926,900	\$4,513,500

## KANSAS ASSOCIATION OF AREA VOCATIONAL—TECHNICAL SCHOOLS

Date: January 22, 1990

To: Senate Committee on Assessment and  
Taxation

From: Kevin Robertson  
Director of Governmental Affairs

Re: SB-432

Eugene Lundgrin  
President

Richard Kingston  
President Elect

Robert Stinson  
Secretary

Keith Stover  
Treasurer

Mr. Chairman and members of the Committee, my name is Kevin Robertson. I am Director of Governmental Affairs for Barbee and Associates and I am appearing before you today on behalf of the 16 schools which make up the Kansas Association of Area Vocational-Technical Schools (KAAVTS).

As you have heard, SB-432 is the result of a 1989 interim study by the Legislative Educational Planning Committee. It closely resembles the combination of 1989 Senate Bills 177 and 178, which had a hearing last year in this committee.

SB-432 would allow **all** area vo-tech schools the opportunity to use revenue bonds to finance such buildings as student unions, kitchens, field houses, dining halls, parking facilities, libraries, and dormitories. Under present law, two area vo-tech schools already have the authority to issue revenue bonds for such buildings. Additionally, and most importantly, the bill would allow revenue bonds to be used for the financing of **"industrial training facilities used primarily for academic or vocational education programs designed for and operated under contract with private industry or industries"**.

Vocational education continues to adapt and change its present methods of training and retraining the nations workforce. Some of you may be aware of the new competency based curriculum being piloted by the State Department of Education in some area vo-tech schools today. This curriculum is designed to better meet the labor demands of Kansas business and industry by providing employers knowledge of the exact skills a student can and cannot perform. Further, Kansas Inc. recently published the findings of their "Workforce Training" Report completed by IPPBR of Lawrence, Kansas. The basic message of this report is that Kansas must be prepared to deliver cost effective specialized or "customized training" to business and industry in order to meet

the rapid technological changes in the workplace through vocational education. **Industrial training facilities** are one highly specialized manner in which customized training can be delivered to private industry.

During the KAAVTS Director's Annual Meeting last June, we were treated to a tour of the Burlington Northern facilities on the Johnson County Community College campus. I believe it would be fair to say that all of us were impressed, not only with the facility, but moreso with the working relationship between Johnson County CC and Burlington Northern.

Many vocational educators believe this type of industry/educational training relationship is the growing trend in industry training. In Kansas, as well other states, similar agreements are being sought. I know of one area vo-tech school in Kansas which is currently in the process of negotiating for such a facility on its own campus. Examples, of possible relationships might include an agreement between an airplane company and Wichita AVTS, a beef packing company and Liberal AVTS, an automobile company and Kansas City AVTS, or a tire, shoe, or railroad company and Kaw AVTS in Topeka. The possibilities for industry/training agreements are endless: not just for area vo-tech schools, but community college and regents schools as well!

**The question of industrial training facilities is not only a question of workforce training, but also one of economic development.** In Johnson County for example, Burlington Northern employees spend six weeks at a time in training at the community college. Hotels, restaurants and other businesses, as well as the state, have benefitted in increased revenue from Burlington Northern sending hundreds of out-of-state employees to train at Johnson County CC. Such facilities in other parts of the state would reap similar benefits for the state. Possible agreements reached with in-state companies would more firmly root such companies in Kansas.

On behalf of the Kansas Association of Area Vocational-Technical Schools, I urge your favorable support of SB-432.

I will be happy to attempt to answer any questions.