

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on January 29, 2003, in Room 519-S of the Capitol.

All members were present except: Senator Pugh

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Representative Dan Williams
Senator Kay O'Connor
Karl Peterjohn, Kansas Taxpayers Network
Bob Vancrum, Greater Kansas City Chamber of Commerce
Blake Schreck, Johnson County Chambers Presidents
Council

Others attending: See attached list.

Senator Lee requested the introduction of a bill which would reduce the membership of the Board of Tax Appeals from five to three. She quoted the proposed bill as follows: "No successor shall be appointed for the two members of the board whose term of office expired on January 15, 2003, and if any such appointment is made prior to the effective date of this act, the term of office shall expire." She explained further that the proposed bill provides that there shall be no more than one member from any one congressional district. In addition, the bill provides that the selection of board members must be based upon legal, accounting, or appraisal training and experience.

Senator Goodwin commented that the current five membership Board ensures that there will be a voice representing the rural area sitting on the Board. She expressed her concern that, with the proposed reorganization of the Board, it is possible that only urban areas would be represented.

Senator Lee moved to introduce the bill, seconded by Senator Clark. The motion carried.

SB 1—Kansas and Missouri metropolitan culture district compact; bi-state revenue equity act

Representative Dan Williams testified in support of **SB 1** as a good starting point for reworking the bi-state compact between Kansas and Missouri. He observed that the bi-state agreement is about sharing of economic resources; however, 100 percent of the first bi-state tax went to fund a Missouri-based project, and there will almost certainly be no equity in a new plan being prepared which will spend millions of dollars to renovate a Missouri sports stadium complex and the Kansas City downtown area. He pointed out that, although the

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taxpayers will be able to vote on a new plan, they will do so after having been inundated with a metropolitan area advertising campaign financed by owners of sports teams and Kansas City activists who have an economic or physical base in Missouri, not Kansas. He emphasized that Kansas legislators have a responsibility to protect Kansas taxpayers. In conclusion, Representative Williams expressed his support of a bi-state compact between Kansas and Missouri to address very specific, unique projects involving reasonable taxpayer equity. ([Attachment 1](#))

Senator Kay O'Connor, sponsor of **SB 1**, called the Committee's attention to copies of an editorial from *Ingram's* magazine entitled "Where Have the Leaders Gone?" by J.S. Sweeney, the Editor-In-Chief and Publisher. She noted that, although Mr. Sweeney is a supporter of the bi-state compact, his editorial is critical of the first bi-state project and the leadership in new bi-state proposals. She went on to inform the Committee that the majority of the Bi-State Commission members are from Missouri. In her opinion, that may be part of the reason very few proposals are made for projects in Kansas.

As further testimony in support of **SB 1**, Senator O'Connor read testimony written for her by the retired owner of Crawford Sales in Olathe, Rich Nadler, who has always been a strong opponent of the bi-state tax. The testimony relates to the following contentions: (1) The provision in **SB 1** requiring a proportional allocation of bi-state tax revenues to their counties of origin is necessary to assure Kansas taxpayers a degree of control over any future bi-state tax investment, (2) The bill will serve as a springboard for either a thorough reform or a total repeal of the Metropolitan Culture District, and (3) The bi-state process must be revisited because the whole law invites more failures such as the deficits Science City at Union Station has incurred. The testimony also points out that the Bi-State Commission is appointed rather than elected; therefore, no commissioner is politically accountable. Furthermore, the bi-state process has no administrative accountability, creating a strong potential for the selection of a bad project. ([Attachment 2](#))

Karl Peterjohn, Kansas Taxpayers Network, gave final testimony in support of **SB 1**. He pointed out that, currently, the percentage of bi-state tax dollars that must be spent in Kansas is zero. The bill requires that 45 percent of the bi-state tax revenue be spent in Kansas. In his opinion, the bill is a step in the right direction to keep Kansas tax dollars in Kansas, particularly since Kansas citizens pay substantially more in state tax rates than Missouri citizens. ([Attachment 3](#))

In response to a question raised by Senator Haley regarding the percentage of the bi-state tax revenue to be spent in Kansas, staff clarified that the bill provides that 45 percent of the total amount collected must be spent in Kansas. Senator Corbin called the Committee's attention to copies of the fiscal note for **SB 1** prepared by the Kansas Division of the Budget which states, "There is no fiscal effect to any state fund associated with the passage of **SB 1**. The bill would affect the expenditure patterns of only the Kansas Metropolitan Culture District Compact."

Bob Vancrum, representing the Greater Kansas City Chamber of Commerce, testified in opposition to **SB 1**. At the outset, he emphasized that the Bi-State Compact specifically provides that no binding action can be taken by the district unless the majority of each state's commissioners agree to such action, and the tax levy to support a project must be approved by the majority of voters. He reminded the Committee that the Union Station question received the votes of a solid majority of Johnson county voters even though they knew the

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money was going to be spent entirely in Missouri. The Greater Kansas City Chamber believes that the image of Kansas City as a whole is very important in attracting businesses to Overland Park, Shawnee, Olathe, and Kansas City, Kansas. Mr. Vancrum contended that **SB 1** will not only restrict the powers of the Commission but also will make certain that the Compact is effectively broken. He argued that there is no need for the bill because Kansas voters have always had final control over projects presented to them for approval, and, in his opinion, Kansas Commissioners will not recommend projects which are not in their constituents' best interest. (Attachment 4)

In response to Senator Haley's earlier question regarding the percentage of the bi-state tax spent in Kansas, Mr. Vancrum explained that of \$121.3 million, \$58 million(43 percent) came from Kansas. He pointed out that **SB 1** provides that 45 percent of the total spent must come from Kansas. He went on to say that, for the year 2000, the three participating Missouri counties had approximately 942,000 people, and Johnson County had 450,000 people. In this regard, Senator Corbin called the Committee's attention to detailed information on the population of the counties involved which was faxed by Molly McGovern as requested when she presented information on the Kansas and Missouri Metropolitan Culture District Compact at the January 29 meeting. (Attachment 5)

Mr. Vancrum responded to questions from Senator Lee concerning the original projections for Science City at Union Station with the assistance of Peter Levi, Greater Kansas City Chamber of Commerce. Mr. Levi stated that the original projection for the work at Union Station was approximately \$360 million and that the ballot language clearly specified that the amount to be raised through the bi-state tax was \$118 million. The additional costs were paid locally by foundations and the business community.

With regard to the cost of utilities at Union Station, Senator Corbin recalled that Ms. McGovern commented that Amtrak had been moved back into Union Station and asked if Amtrak would participate in the maintenance of the utility costs. In response, Mr. Levi said that, due to the presence of Amtrak, Union Station was the recipient of funding from the federal government to help pay a portion of the utility costs.

In response to questions from Senator Allen regarding the success of Science City, Mr. Levi reported that the attendance at Science City has not lived up to expectations. However, Union Station has become a popular community gathering point, and the restaurants within have been successful. He agreed to contact the CEO of Union station and obtain more information concerning visitors, revenues, and jobs created at Union Station.

Senator Haley acknowledged that Union Station is "a jewel" to the metropolitan area. However, he expressed a concern that, if Wyandotte County were to participate in the bi-state, the percentage of revenue raised by Kansas would increase significantly, and the revenue would be used to support a project not yet clearly determined. He questioned if there is any assurance that Kansas bi-state tax revenues raised will be equitably directed towards projects on the Kansas side. In response, Mr. Vancrum said he had no answer due to the fact that the next projects are unknown. He noted that there have been discussions about community arts agencies throughout the metropolitan area, including Wyandotte County, participating in the next bi-state. With regard to Senator Haley's comments concerning Union Station, Mr. Levi noted that recently Union Station signed an agreement to be an affiliate of the Smithsonian, which means that artifacts will be on display in the Greater

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Kansas City Area that otherwise would not have been available.

Senator Oleen asked if passage of **SB 1** would put Kansas out of compliance with the Compact and if discussions relative to the division of bi-state money spent is occurring on the Missouri side. Mr. Vancrum answered that he was not aware of any discussions in Missouri. Mr. Levi commented that, if Kansas changes the law as proposed in the bill, Kansas will have a different law and, thus, be out of compliance with the compact requirements. Therefore, the future of the use of the bi-state tax would be put into doubt. He noted that Missouri would have to pass an identical piece of legislation, which politically is doubtful.

Blake Schreck, Johnson County Chambers of Commerce Presidents Council, testified in opposition to **SB 1**. He contended that passage of the bill would likely have the practical effect of eliminating the bi-state cultural tax as a potentially valuable development tool in the Kansas City metropolitan area. He noted that maintaining the ability to combine financial resources for appropriate projects provides the metropolitan area another option to better compete with larger cities and stimulate economic development and job creation. He emphasized that the bill is unnecessary because the general public is vested with the right to fully evaluate and vote on the appropriateness of every bi-state proposal. (Attachment 6)

Senator O'Connor distributed copies of a letter in support of **SB 1**, which she received from Richard G. Rossman from Olathe. (Attachment 7)

There being no others wishing to testify, the hearing on **SB 1** was closed.

Senator Corbin moved to introduce a conceptual bill addressing decoupling from portions of new federal tax law, seconded by Senator Lee. The motion carried.

Senator Donovan moved to approve the minutes of the January 28 meeting, seconded by Senator Clark. The motion carried.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for February 5, 2003.