

February 16, 2017

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2184 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2184 is respectfully submitted to your committee.

HB 2184 would make a number of changes to the Sales Tax and Revenue (STAR) Bond Financing Act. The bill would allow STAR bond project costs to include expenses for the renovation and expansion of a historic theater. The bill would eliminate language that allows a county commission or school board to object to a proposed STAR bond district, if it is determined that the STAR bond district would have an adverse effect on property tax revenues. The Secretary of Commerce would no longer be required to approve a city or county option to use all or a portion of transient guest tax revenues to be pledged for principal and interest payments on the STAR bonds. The bill would eliminate outdated language for a STAR projects that involve auto racetrack facilities. The bill would extend the sunset date for the STAR Bond Financing Act from July 1, 2017, to July 1, 2022.

The Department of Revenue indicates that HB 2184 would not have a direct fiscal effect on State General Fund revenues. The bill would allow local governments, with the approval of the Secretary of Commerce, to continue to issue bonds to finance new STAR bond projects. The state does not lose any revenue when these projects are created because the revenue would not be generated if the project did not exist. The State General Fund and the State Highway Fund would not receive any retail sales and compensating use tax revenue collected in STAR bond districts until after the STAR bonds are paid back.

The Department of Commerce indicates that it is currently responsible for reviewing and approving STAR bond applications. The Department indicates that the bill would extend the STAR Bond Financing Act that has the potential to increase economic development activity in the state.

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The League of Kansas Municipalities and the Kansas Association of Counties indicate the bill would extend the STAR Bond Financing Act and adds the renovation and expansion of a historic theater as an eligible STAR bond projects cost, which has the potential to enhance economic development in local communities. However, the League of Kansas Municipalities and the Kansas Association of Counties do not have data on future STAR bond projects that would be proposed to provide an estimate of the fiscal effect on local governments. Any fiscal effect associated with HB 2184 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Bob North, Commerce
Jack Smith, Department of Revenue
Brock Ingmire, League of Municipalities
Melissa Wangemann, Association of Counties
Dale Dennis, Education