

March 16, 2020

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445A-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 498 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 498 is respectfully submitted to your committee.

Prior to approval of a STAR bond project financing by the Secretary of Commerce and the issuance of STAR bonds for the project, SB 498 would require the Secretary to provide a written briefing and an oral presentation on the STAR bond project to the State Finance Council. Any oral presentation before the State Finance Council or discussion with respect to the written briefing or oral presentation could be considered the discussion of data relating to the financial affairs or trade secrets of corporations, partnerships, trusts, and individual proprietorships pursuant to current law for purposes of the Kansas Open Meetings Act and could be conducted in a close or executive meeting.

For any STAR bond project district established and approved by the Secretary of Commerce on or after July 1, 2020, the state sales tax increment would be limited to 85.0 percent of the tax increment received from any state retail sales or compensating use taxes and would only be allowed if:

1. The city or county, at the time of the issuance of the STAR bonds, pledges local or county sales tax increment revenues;
2. A real estate development of land that has not previously been used for residential, commercial, or industrial purposes or that does not involve the demolition or remodeling of existing structures; and
3. The STAR bonds are rated in either of the two highest rating categories by a nationally recognized investment rating firm.

On and after July 1, 2020, when an existing business located in Kansas relocates into or becomes a part of a STAR bond project district, the sales tax increment revenue from the business in excess of the base year revenue determined for that business would be subject to the provisions of the bill. If a state sales tax increment is permitted for the business, the state sales tax increment from the business would be allocated between the state and the STAR bond project district. The bill would extend the provisions of the STAR Bond Financing Act from July 1, 2020, to July 1, 2022.

Both the Department of Commerce and the Department of Revenue indicate enactment of the bill would not have a fiscal effect on the operations of either agency. Any fiscal effect associated with SB 498 is not reflected in *The FY 2021 Governor's Budget Report*.

The League of Kansas Municipalities states failure to renew the STAR Bond Financing Act could have a fiscal effect on cities; however, the League does not have enough information to provide a fiscal effect.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

cc: Sherry Rentfro, Department of Commerce
Lynn Robinson, Department of Revenue
Trey Cocking, League of Municipalities
Jay Hall, Association of Counties