

SESSION OF 2021

SUPPLEMENTAL NOTE ON SENATE BILL NO. 124

As Recommended by Senate Committee on
Commerce

Brief*

SB 124 would amend and reauthorize the Sales Tax and Revenue (STAR) Bonds program (program).

Definitions

The bill would add “major business facility” to the list of terms defined as “eligible areas” for the program. A “major business facility” would be defined as a significant business headquarters or office building that is designed to draw a substantial number of new visitors to Kansas. The term “substantial” would not be defined.

The bill would also add the term “rural redevelopment project” to the list of eligible costs for which a STAR Bond project could expend funds. A “rural redevelopment project” would be defined as a project that is not in a metropolitan statistical area, as defined by the federal Office of Management and Budget (OMB); has regional importance; has a minimum of \$3.0 million in capital investment; and would enhance the quality of life in the community and region. The bill would not define what is considered an enhancement of quality of life for the community and region.

The definition of “STAR Bond project district” would be amended to state if a project is in a metropolitan statistical area, as defined by OMB, then the district must be a contiguous parcel of real estate.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Eligibility

The bill would alter the eligibility requirements for a project under the program by increasing the minimum required capital investment and projected gross annual sales amounts from \$50.0 million each to \$75.0 million each. It would also include rural redevelopment projects, as defined in the bill, as being eligible to utilize the program.

Project Proposal

The bill would clarify and expand requirements that must be fulfilled prior to consideration or approval of a project under the program.

A city or county wishing to propose a project would be required to first have a feasibility study conducted by one or more consultants. The bill would require these consultants to be selected and approved by the Secretary of Commerce (Secretary), and the costs paid by the developer, city, or county in question. The bill would also give the Secretary control and oversight over the scope of the project. The Secretary would also be allowed to establish a list of preapproved consultants and preapproved study parameters and methods.

The “visitation expectations” element of the proposal would be required to contain a plan detailing how the project’s number of visitors would be tracked and reported to the Secretary on a yearly basis.

The bill would require the economic impact portion of a feasibility study for a STAR bond project to include the anticipated effects of the project on the regional and statewide economies.

The bill would also require both a net return on investment analysis and a summary of community

involvement, participation, and support for the project be included in the proposal.

The bill would add rural redevelopment projects to the program for areas outside a metropolitan statistical area. Rural redevelopment projects would have a capital investment floor of \$3.0 million and allow for vertical building and rehabilitation. Rural redevelopment projects would not be required to issue General Obligation Bonds, but could finance projects from sales tax revenues annually up to \$10.0 million.

Financing

Rural redevelopment projects would not be required to issue special obligation bonds unless the amount to be financed exceeds \$10.0 million for each project.

The bill would also state all projects established after July 1, 2021, with existing sales tax revenue would be allowed to pledge only 90.0 percent of state sales tax collections.

Sale of Land

Any transfer of ownership in real property acquired with the proceeds of STAR Bonds under the program would require authorization from the Secretary.

Sunset

The program would be authorized until July 1, 2026.

Background

The bill was introduced by the Senate Committee on Commerce at the request of the Department of Commerce.

Senate Committee on Commerce

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the Department of Commerce, the Greater Kansas City Chamber of Commerce, the League of Kansas Municipalities, the Overland Park Chamber of Commerce, and Polsinelli Law Firm. Written-only proponent testimony was provided by representatives of the City of Dodge City, the City of Manhattan, the City of Olathe, the City of Overland Park, the Olathe Chamber of Commerce, and the Travel Industry Association of Kansas, and by one private citizen. The proponents generally stated the program has led to significant projects and development, and the changes contained in the bill would make the program more viable in rural areas and a better tool overall.

Opponent testimony was provided by representatives of Americans for Prosperity–Kansas and the Kansas Policy Institute. The opponents generally stated the program leads to an unfair advantage for businesses receiving the incentives. They also stated the bill would expand the program into areas that do not directly generate sales tax revenue, such as offices, medical facilities, and rural projects.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Commerce states there would be no fiscal effect on agency operations. The agency does indicate the bill would increase future tax revenues from all new projects under the program. Any fiscal effect associated with the bill is not reflected in *The FY 2022 Governor’s Budget Report*.

Commerce; economic development; STAR Bonds