

Date: March 8, 2018

To: Senate Commerce

From: Amanda L. Stanley, General Counsel

Re: Testimony in Opposition to SB 434

I want to thank Chairwoman Lynn and the Committee members for allowing the League of Kansas Municipalities the opportunity to provide testimony in opposition to SB 434.

A number of significant projects and developments have been accomplished and/or are underway because of the financing options afforded under the STAR bond act. The most visible of these projects is Village West and the Kansas Speedway, which was paid off five years early and is now contributing additional revenue to Kansas City, Wyandotte County and the state. There are many other projects across the state, perhaps not as visible, but just as important to the local and statewide economy. The STAR Bond act has proven it is an important piece of legislation for both local and statewide economic development.

The League has concerns regarding the significant changes SB 434 makes to the STAR Bond statute. This bill severely limits the uses of these bonds while simultaneously limits the state's level of participation in the projects. Our members fear these changes will restrict the use of STAR Bonds to the point of uselessness.

Of significant concern is that SB 434 limits new STAR bond projects to only those containing a "tourist attraction" and sets requirements on the types of attendees and the distance they must travel from in order to make the project eligible for STAR bonds. It is unclear how a city is supposed to document these visitors. To be a tourist attraction, the number of visitors should not be based on the distance traveled, but rather, on the success of the project. If a project is massively successful but the majority of its visitors come from Kansas or from under 100 miles, that does not make it less of a tourist destination than if 30% of its visitors are from out of state. If a Topeka family decides to spend their vacation in Wichita visiting a STAR Bond project tourist attraction instead of taking their money out of state to Oklahoma, that is still a net win for Kansas. The approval of a project should not be based on where the visitors are from.

Not only does the bill limit STAR Bonds projects to those containing a tourist attraction, Section 1(r) of the bill additionally restricts the project costs to only those costs necessary to implement the tourist attraction portion of the project and specifically excludes the costs related to any necessary access roads to the tourist attraction. Access roads are essential for visitors to attend tourist attractions and the exclusion of these costs seems excessively restrictive.

In addition to restricting STAR Bonds Projects to tourist attractions, Section 2 of SB 434 limits the types of businesses allowed within a STAR bond project district unless the business's state sales/use tax is not applied to the STAR bonds. While a tourist attraction is key to a successful STAR bond district, equally important are the surrounding businesses for paying off the bonds. By restricting the types of businesses whose sales/uses taxes can contribute to the bond payments, SB 434 will make the repayment of these bonds increasingly difficult.

Finally, Section 3 of SB 434 limits the state's participation in a STAR bond project (via use of state sales & use tax) based on the amount of local funding contributed to the plan. The decrease in investment by the State has the potential to decrease opportunities for successful projects.

The League believes the numerous new restrictions in SB 434 unduly hamper what has been a very successful state program and have the potential to cause cities and the state to miss opportunities for significant economic development. We hope our concerns can be addressed; however, we will not be able to support legislation that has the potential to unduly burden an important economic development tool for our member cities.