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**Testimony of Interim Commerce Secretary Robert North
On Senate Bill 434**

Senate House Commerce Committee
8:30 a.m., Thursday, March 8, 2018

Madam Chairman and members of the Committee, I would like to offer comments on STAR Bonds and Senate Bill 434.

STAR Bonds are a successful financing tool that allows cities and counties to issue special revenue bonds for certain infrastructure costs for major entertainment and tourism attraction projects. The state has authorized the use of STAR Bonds for many successful projects across the state. These include the Kansas Speedway, Village West, Livestrong Stadium, Schlitterbahn Waterpark and National Training Center (in Wyandotte County); the Salt Museum (Hutchinson); Heartland Park Topeka; Wichita Water Walk and K-96 Greenwich; Flint Hills Discovery Center (Manhattan); Prairiefire Museum (Overland Park); Heritage Area in Dodge City; and Goddard Aquatic Center (Goddard).

In addition to those projects, the state is currently involved in projects in Olathe, Salina, Overland Park, Wichita, Wyandotte County, Dodge City and Garden City. These projects have all received approval of project eligibility but haven't yet issued bonds.

STAR Bonds have been remarkably effective in Kansas and directly led to development of several major destination attractions that have had a positive impact on the state's economy.

SB 434 raises several major technical and policy issues to be considered by the Committee.

Section 1(r)-

- The language modifies and limits the definition of "project costs" to those costs necessary to implement the tourist attraction component of a project. There is also language "grandfathering" projects approved by the secretary prior to July 1, 2018. This language may need clarification as there are at least two "approval" stages in a STAR Bond Project and it is uncertain which approval is referenced.

Section 1(20)(J)-

- Bill adds a prohibition against using STAR Bonds to pay for ingress and egress roads to the tourist attraction. Not allowing payment for access roads to attraction may conflict with Section 1(r) which limits expenditures only to "attraction related" project costs

Section 2-

- Places significant restrictions on the types of retail in a District. This likely has extremely adverse consequences on all pending STAR Bond Projects which are in varying degrees of completion. Further, this restriction may particularly harm projects in rural areas without as much potential retail diversity.

Section 3(a)(F)(ii)-

- Caps the state's investment in a STAR Bond project dependent on the amount of local investment. The policy objective is clearly reasonable, however, the language needs clarification regarding how to calculate the local sales and use tax rate. If the intent is to increase local financial participation, then should the calculation also include transient guest tax, TIF and CID amounts? Including these would provide a truer indication of local investment.

General-

- Effective date – the impact of all of these proposed changes could be significant as many of the pending projects listed above are nearing completion. Is it equitable to those cities and projects to change the rules at this stage in the process? In order to clarify legislative intent, it is suggested the references to the term “approved” be fully defined and clarify if the language is applicable to existing projects.

Thank you for your consideration.