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TO: Sen. Julia Lynn, Chair
Members, Senate Commerce Committee

FROM: Ashley Sherard, Vice President
Lenexa Chamber of Commerce

DATE: March 15, 2016

RE: SB 493 – Administrative Cost Recovery for the Department of Commerce

The Lenexa Chamber of Commerce appreciates the opportunity to share its concerns with SB 493, which authorizes assessment of “administrative cost recovery fees” by the Secretary of Commerce for purposes of “recovering application processing, oversight, administrative and other costs” for community finance, economic development tax incentive, and grant programs administered wholly or in part by the Department of Commerce.

We believe it is vitally important the Department of Commerce be adequately funded to fulfill its mission of business recruitment and retention, which grows the state’s economy and tax base for the benefit of all Kansans. To that end, given the current state budget challenge, we understand reasonable administrative cost recovery may make sense.

Provisions of the bill authorize a new application fee of up to \$750 for economic development incentive programs including KIT, KIR, HPIP, PEAK, and JCPF, which appears reasonable.

Our primary concern is other provisions related to bonds. SB 493 allows Commerce to assess an administrative fee of up to 1% of the amount of the special obligation bonds issued or reissued for STAR bond projects, paid from the proceeds of such bonds, and an administrative fee of **up to 5%** of a “private activity bond” issuance, payable at the Secretary's discretion by the governmental issuer, out of the bond proceeds, or both -- “private activity bonds” would likely include Industrial Revenue Bonds, an important economic development tool.

Retaining 1% of STAR bonds or a whopping 5% of private activity bonds represents a potentially significant amount of money, either adding to the cost of projects that in turn increases costs to taxpayers or reducing the size of projects that in turn decreases economic benefit, **with no clear connection or nexus to actual administrative costs** (it does not cost twice as much to administer \$20 million in bonds (fees up to \$1,000,000) as \$10 million in bonds (fees up to \$500,000)). We do not believe that’s reasonable, fair, or economic development-friendly.

For these reasons, we would encourage you to amend SB 493 to more reasonable cost recovery related to bond issuances. Thank you for your consideration of our input.