SESSION OF 2009

SUPPLEMENTAL NOTE ON SENATE BILL NO. 138

As Amended by Senate Committee of the Whole

Brief*

SB 138, as amended, makes technical corrections and clarifications regarding the usage of Sales Tax and Revenue (STAR) bonds. Since STAR bonds utilize funding from sales tax instead of property taxes, the bill also would repeal the requirement that the county appraiser annually certify the increase in assessed value of real and personal property in the STAR bond district to the county clerk. The bill would clarify that the Secretary of Commerce is to set a limit on the total amount of bonds issued by a city or county when the funding comes from the incremental revenue received from any state sales tax. Currently, the law refers to the setting of such a limit only when a county pledges 100.0 percent of the incremental revenue from a county sales tax.

Background

The Senate Committee on Commerce amended the bill by deleting the original sections 1 and 2 which would have made substantive policy changes regarding tax increment financing (TIF) districts and the sources of funding used to pay for special obligation bonds. As introduced, section 1 would have expanded the definition of the term "redevelopment project costs" to include infrastructure improvements located outside a TIF district. Section 2 of the original bill would have allowed the principal and interest of special obligation bonds to be paid off by a portion of the transient guest and local sales taxes attributed to a redevelopment district. Current law requires that all transient guest and local sales taxes revenue from a redevelopment district be used to pay for the bonds.

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*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

The law firm of Gilmore and Bell, which serves as bond counsel for local units of government, provided proponent testimony. In addition to advocating the technical corrections currently contained in the bill, the proponent believed that the additional changes would provide cities and municipalities greater flexibility when funding infrastructure and economic development projects.

There was no opponent testimony against the bill.

The Senate Committee of the Whole made a technical amendment to the bill to further clarify its provisions.

The fiscal note prepared by the Division of the Budget indicates that the bill, as introduced, would not have an effect on the state's revenue or expenditures.