

March 30, 2026

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2737 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2737 is respectfully submitted to your committee.

HB 2737, as introduced, would create the Taxpayer Agreement Act, which would provide an alternative method for cities to finance economic development projects that are eligible for tax increment financing. The bill would allow cities to enter into voluntary agreements with property owners or developers of real property located within a tax increment or redevelopment district. The written consent would need to indicate that the taxpayer agreement does not constitute an event of default under the existing mortgage or deed of trust. Any lien created by the taxpayer agreement would have parity with real estate tax liens regardless of existing encumbrances.

Under a taxpayer agreement, a developer could limit its rights to challenge property tax assessments or enforcement of a tax lien, guarantee or secure the repayment of bonds or other obligations issued to finance project costs, provide payments in lieu of or in addition to tax increment revenues, or provide other payment obligations designed to support the financing of project costs. Payments under a taxpayer agreement would be secured by a lien on real property that would have the same priority as a real estate tax lien. The lien would be recorded with the register of deeds in the county where the property is located. Delinquent payments would be subject to the same interest, penalties, and collection procedures as delinquent real estate taxes.

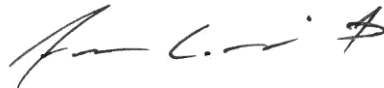
The bill would also authorize cities to issue conduit bonds to finance project costs within a tax increment or redevelopment district. The bonds could be secured by a pledge or assignment of taxpayer agreement payments, any lien created by a taxpayer agreement, incremental tax

revenues, or private security. Conduit bonds would not constitute a general obligation of the city or the state and would not count as municipal debt for purposes of any statutory or constitutional debt limitation. A city issuing conduit bonds would act solely as a conduit issuer, with repayment limited to taxpayer agreement payments, pledged incremental tax revenues, or additional private security. The bill would also authorize cities to enter into agreements with trustees, servicers, or bondholders to implement taxpayer agreements or provisions of the act.

The Department of Commerce indicates that enactment of HB 2737 would have no fiscal effect on its operations.

The League of Kansas Municipalities indicates that enactment of the bill, as introduced, could increase administrative expenditures for cities that choose to adopt the new financing tool. The League also indicates that cities implementing taxpayer agreements could see increased revenues over the long term if the agreements facilitate additional development and broader tax base growth. However, the League was unable to provide a specific estimate of the fiscal effect on city governments.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized dollar sign symbol.

Adam C. Proffitt
Director of the Budget

cc: Sherry Rentfro, Department of Commerce
Bruce Chladny, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities