

SESSION OF 2025

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR  
SUBSTITUTE FOR SENATE BILL NO. 197**

As Recommended by House Committee on  
Commerce, Labor and Economic Development

**Brief\***

House Sub. for Sub. for SB 197, as amended, would make changes to the STAR Bonds Financing Act and extend its sunset to July 1, 2031. The bill would allow bills to establish port authorities.

***STAR Bond Project Approval Requirements***

The bill would require the Secretary of Commerce (Secretary) to not approve STAR bond projects unless the Secretary finds the project is likely to attract at least 30 percent of visitors from a distance of at least 100 miles and 20 percent of visitors from outside the state.

For rural development projects, the Secretary would not be authorized to approve such projects unless the Secretary finds the project is likely to attract at least 20 percent of visitors from a distance of at least 100 miles. There would be no out of state requirement.

Starting the third year after the creation of a new STAR bond district, the bill would require new projects to meet the visitor residency requirements. The bill would provide the Secretary discretion to continue the obligation, but would require the Secretary to review compliance on an annual basis and include information regarding visitor residency compliance in the Secretary's annual report to the

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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 <https://klrd.gov/>

Legislature. The bill would allow the Secretary to prohibit developers of such projects that repeatedly fail to meet the visitor residency requirements from applying for another STAR bond project pursuant to rules and regulations adopted by the Secretary.

### ***Mall Facility Redevelopment Projects***

The bill would authorize the redevelopment of mall facilities as eligible STAR bond projects. A “mall” would be defined as an enclosed area of multiple interior facing businesses and stores primarily devoted to in-person retail sale of goods and services, including the parking, green space, and arterial roads. The bill would require at least 50 percent of a mall in a mall facility to be unoccupied for the project to be eligible.

### ***Large Metropolitan Mall STAR Bond Project***

The bill would define a “large, metropolitan mall STAR bond project” as a project:

- With the primary purpose of sports or entertainment tourism;
- That will draw at least 30 percent of visitors from a distance of at least 100 miles and 20 percent of visitor from outside the state;
- Located in an area of a city or community experiencing economic decline as determined by the analysis of at least two measurable indicators over the most recent ten-year period for which data is available, including but not limited to, real Gross Domestic Product (GDP), average household real income, decreased employment, or reductions in industrial production or retail sales;

- With a minimum of \$50 million in capital investment and \$50 million in sales;
- In a county where no previous application for a mall redevelopment project has been approved by the Secretary;
- Whose application is received by the Secretary on or before December 31, 2025.

*Rural Mall STAR Bond Project*

The bill would define a “rural mall STAR bond project” as a project:

- Within a metropolitan area with a population of 50,000 to 75,000 or outside a metropolitan area with a population of at least 50,000;
- That draws at least 20 percent of total visitors from a distance of at least 100 miles;
- Located in an area of a city or community experiencing economic decline as determined by the analysis of at least two measurable indicators over the most recent ten-year period for which data is available, including but not limited to, real GDP, average household real income, decreased employment, or reductions in industrial production or retail sales;
- In a county where no previous application for a mall redevelopment project has been approved by the Secretary; and
- Whose application is received by the Secretary on or before December 31, 2026.

### ***Mall Facility Costs***

The bill would include mall facility projects' construction and renovation costs for interior and exterior structures, parking facilities, and multi-level parking structures with certain limitations:

- For large metropolitan mall STAR bond projects, such costs would not be permitted for any future expansion of the project's STAR bond district; or
- For rural mall STAR bond projects, the project includes a sports or entertainment tourism component or an education tourism component such as a museum or other educational facility.

### ***Vertical Construction***

The bill would allow the Secretary to approve, prior to December 31, 2025, vertical construction within an approved STAR bond project in counties with a population under 100,000.

### ***Eminent Domain Authority***

The bill would eliminate the authority of city or county governments to exercise eminent domain for the purpose of acquiring property for a STAR bond project.

### ***Restrictions on Funding***

The bill would prohibit State General Fund (SGF) revenues from being pledged for the repayment of special obligation STAR bonds. The bill also would prohibit tax increment revenue generated within a STAR bond district from being pledged toward any subsequent STAR bond project.

### ***Kansas Development Finance Authority***

The bill would allow the Secretary to authorize the Kansas Development Finance Authority (Authority) to issue special obligation bonds to finance a STAR bond project that has been established by a municipality. The bonds would not be general obligations of the State, only an obligation of the Authority, and would not constitute a debt of the State. The bonds would also not be pledged with the full faith and credit, or the taxing power, of the State.

### ***Visitor Data Reporting***

The bill would require the Secretary to collaborate with the STAR bond project and governing body establishing the district to collect visitor data using ticket sales tracking, reliable software, or other similar technology to track visitation trends for each STAR bond district that receives sales tax revenues until the bond debt service has been satisfied and no later than the maturity period of the bond issuance.

The visitor data would be required to include visitor ZIP codes but could also include other data. The bill would require the data to be collected in aggregate and without personally identifiable information and be reported to the Secretary on a quarterly basis.

### ***Notice and Disclosure requirements***

The bill would require a city or county, upon adopting or modifying a STAR bond project plan, to notify its residents of such adoption or modification within 90 days and to provide notice of the amount of associated tax increment revenue received on a continuing basis.

The bill would require certain documents to be made available on the website of the Department of Commerce

within 90 days of adoption or modification of a project plan, including:

- The project feasibility study;
- The STAR bond project plan;
- The financial guarantees of the prospective developer; and
- Any subsequent modification of the above information.

Disclosures of documents related to the adoption or modification of a project plan required by continuing law would also be required to be completed within 90 days of the adoption or modification.

### ***State Finance Council***

The bill would require the Secretary to provide notice of the STAR bond project and pending approval to the State Finance Council (Council) before the Secretary approves the project.

The Chairperson of the Council could call a meeting to address a project as soon as convenient and provide notice to the Secretary of such meeting. Upon the Council's request, the Secretary or designee would be required to appear before the Council to provide testimony about the project. Any such testimony would be considered an exception to the requirements of the Kansas Open Meetings Act and would be closed to the public.

The Council could disapprove the project by a majority vote taken in open session, and the disapproval could also be given while the Legislature is in session. If the Council does not disapprove the project at such a meeting, or if the Chairperson does not call such a meeting held within 30 days

of the project's notice provided to the Council, the Secretary could approve the project.

### ***Clarification of STAR Bond Act's Purpose***

The bill would state the purpose of the Act is to promote growth through tourism.

### ***Port Authority Creation***

The bill would amend current law to allow enacted bills to establish port authorities. [*Note:* Current law only allows port authorities to be created with legislative approval through passage of a concurrent resolution.]

The bill would approve the creation of a port authority by the governing body of the Unified Government of Wyandotte County and Kansas City, Kansas.

### **Background**

The bill was introduced by the Senate Committee on Commerce at the request of Senator Alley.

### ***Senate Committee on Commerce***

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the Department of Commerce and Wichita Regional Chamber of Commerce. The proponents generally stated the STAR Bonds Program is a tool for local governments to finance projects that provide substantial economic benefits, make Kansas more competitive, attract outside visitors, and increase amenities and quality of life in communities in which STAR bond projects are located.

Written-only proponent testimony was provided by a private citizen and representatives of the Kansas Economic Development Alliance, Olathe Chamber of Commerce, and Travel Industry Association of Kansas.

**Opponent** testimony was provided by a representative of Americans for Prosperity–Kansas, who stated there is little evidence the STAR Bond Program primarily draws visitors from out of state, and the program lacks sufficient transparency, harms existing businesses in and around STAR bond districts, and results in higher taxes as a result of foregone sales tax revenue.

No additional testimony was provided.

The Senate Committee amended the bill to:

- Change the sunset date from July 1, 2030, to July 1, 2028;
- Authorize redevelopment of mall facilities as eligible STAR bond projects;
- Eliminate eminent domain authority for the purpose of acquiring property for a STAR bond project;
- Add the restrictions on the use of SGF and tax increment revenues;
- Add requirements related to collection and reporting of STAR bond district visitor data; and
- Add and modify STAR bond project disclosure and notification requirements.

The Senate Committee recommended a substitute bill incorporating the above amendments.



### ***Senate Committee of the Whole***

The Senate Committee of the Whole amended the bill to add the provision authorizing vertical construction within an existing STAR bond district under certain conditions.

### ***House Committee on Commerce, Labor and Economic Development***

In the House Committee hearing, **proponent** testimony was provided by Senator Klemp and representatives of the Department of Commerce, Great Plains Development Authority, Greater Topeka Chamber, Kansas Chamber of Commerce, Kansas Economic Development Association, and the Kansas Speedway. The proponents generally stated the bill would help Kansas municipalities develop major entertainment and tourism projects. It was also noted that the bill should remove rural counties contained within the Kansas City and Wichita metropolitan statistical areas (MSAs) as those counties would likely never meet the metropolitan area requirements of the Act.

Written-only proponent testimony was provided by representatives of the Civic Council of Greater Kansas City; Greater Kansas City Chamber of Commerce; Kansas City Kansas Chamber of Commerce; and Unified Government of Wyandotte County and Kansas City, Kansas.

**Opponent** testimony was provided by a representative of the Kansas Restaurant and Hospitality Association which generally stated the data collection would overly burden Kansas businesses.

Written-only neutral testimony was provided by a representative of Americans for Prosperity–Kansas.

No other testimony was provided.

The House Committee amended the bill to:

- Prohibit project approvals unless a project attracts at least 30 percent of visitors from a distance of at least 100 miles and 20 percent of visitors from outside the state, except for rural development projects (including rural malls) which would need 20 percent of visitors from a distance of at least 100 miles and no out of state visitor requirement;
- Distinguish mall projects between “large metropolitan mall STAR bond projects” and “rural mall STAR bond projects,” remove the bill’s previous definition of mall STAR bond projects, and clarify what costs are included for mall projects;
- Allow the Authority to issue special obligation bonds to finance a STAR bond project, clarify that such bonds issued by the Authority would not constitute a debt of the state and would not be pledged with the full faith and credit or the taxing power of the state;
- Update the visitor tracking requirement to only require the Secretary to collect visitor data using ticket sales tracking, reliable software, or other similar technology for STAR bond districts until the debt service has been satisfied and no later than the maturity period of the bond issuance;
- Update the STAR bond purpose statement to emphasize economic growth through tourism;
- Add to the definition of “rural development project” to also include any county in the Kansas City and Wichita MSAs that have a population of less than 100,000 and with a capital investment of at least \$3 million;
- Update current law for establishing port authorities to allow enacted bills to create a port authority;

- Authorize Wyandotte County to establish a port authority;
- Require the Secretary to provide the Council with notice of pending project approval prior to approving a project, provide non-confidential information regarding the project to the Council including the project plan, market plan, and feasibility study;
- Authorize the Council to call a meeting to address a project and receive testimony from the Secretary or designee regarding the project, and disapprove a project by majority vote take in open session even if the Legislature is in session;
- Allow the Secretary to approve a project if the Council does not call a meeting within 30 days of project notice or if the Council does not disapprove the project;
- Require the primary or master developer to ensure the visitor residency requirements are met beginning in the third year after the district's creation and end once the visitor residency requirements are met;
- Establish that a project that fails to meet such visitor residency requirements by such developer may be determined by the Secretary to be ineligible to participate in another STAR bond project;
- Require the Secretary to review such developer obligations on an annual basis and include such compliance information in the Secretary's annual report to the Legislature; and
- Extend its sunset to July 1, 2031.

The House Committee recommended a substitute bill.

### **Fiscal Information**

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill could reduce state revenues through foregone sales and compensating use tax in an amount that would depend on the specific projects financed using STAR bonds, but the agency is unable to estimate the fiscal effect.

A revised fiscal note on the amended bill was not immediately available.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2026 Governor's Budget Report*.

Commerce; economic development; STAR Bonds Financing Act; sunset; port authority