SESSION OF 2014

CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2086

As Agreed to May 1, 2014

Brief*

HB 2086 would revise provisions pertaining to economic development financing used by local units of government.

The bill would allow costs for infrastructure improvements contiguous to a redevelopment district to be funded by the tax revenues generated from within the district, provided the infrastructure is necessary for the implementation of the redevelopment plan.

The bill also would allow costs for infrastructure contiguous to a community improvement district (CID), including infrastructure costs related to a project within or substantially for the benefit of the CID, to be funded by the tax revenue generated from within the district.

Under current law, in order to be eligible for funding, improvements must be within either type of district.

Cities and counties, under current law, are required to pledge all of their transient guest taxes and local sales and use taxes generated from within either district to make payments on special obligation bonds, if issued. The bill would permit cities and counties to pledge a portion of the revenue to make payments on the bonds.

The bill also would provide for a 26th property tax exemption for land owned by a municipality that is part of a public levee that is leased to a private party.

The bill would be in effect upon publication in the *Kansas Register.*

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Conference Committee Action

The Conference Committee agreed to HB 2086, as amended by the Senate Committee on Commerce, with the following modifications:

- Include the provision of HB 2648, providing for a 26th property tax exemption;
- Change the effective date from publication in the statute book to publication in the *Kansas Register*.

Background

The Secretary of Commerce spoke in favor of HB 2086 at the House Committee hearing, stating the legislation would give cities and counties greater flexibility in financing and developing their local economies. Allowing a portion of transient, sales, and use taxes to be pledged would conform with similar pledges made from property tax revenue. There was no opponent testimony.

During the Senate Committee hearing, representatives of bond counsel, the League of Kansas Municipalities, the Olathe Chamber of Commerce, and the City of Overland Park spoke in favor of the bill, stating the legislation would give cities and counties greater flexibility in financing and developing their local economies. There was no opponent testimony.

The Senate Committee on Commerce amended the bill to specify infrastructure costs that are related to a CID project, or project costs substantially for the benefit of the CID, also may be paid for using tax revenue generated from within the district. The Committee also made several technical amendments.

According to the fiscal note prepared by the Division of the Budget, in consultation with the League of Kansas Municipalities and the Kansas Association of Counties, the bill, as introduced, would have no fiscal effect on the state. There is a potential for local governments to recover additional costs associated with community improvement and redevelopment districts, but no specific fiscal effect can be estimated.

Background of HB 2648

Representatives of the Unified Government of Wyandotte County and Kansas City spoke in favor of the bill at the House Committee hearing, stating the public levee is a tract of ground on the southern end of the Fairfax Industrial Park that was granted to the former City of Wyandot in 1859. Buildings on the site have been used for commercial food storage for 77 years. The Unified Government is working with developers to raze the old buildings and construct a new industrial park worth approximately $30 million. Proponents stated the clarification of the tax status of the leased levee property would allow for the enhancements to be taxed and to allow for a tax-increment finance (TIF) district to be established to help pay for environmental clean-up.

There was no neutral or opponent testimony.

The House Committee on Commerce, Labor and Economic Development amended the bill by deleting reference to the starting tax year in which the exemption would take effect.

The Senate Committee on Commerce recommended the bill be passed as amended previously by the House Committee.

According to the fiscal note prepared by the Division of the Budget, in consultation with the Department of Revenue, the bill would reduce property tax revenues paid to the state and local governments. However, no data are available on the assessed value for this type of property to make a precise estimate.

economic development; local government; financing
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