

Date: March 23, 2016

To: House Taxation Committee

From: Larry R. Baer

Re: HB 2738 – Neutral Testimony
(Written Only)

Thank you for allowing me to present neutral testimony on House Bill 2738 on behalf of the League of Kansas Municipalities and our member cities.

As written, HB 2738 presents a mix of changes to the current STAR bond policies in Kansas. A few of these changes are positive in the way that they change the law and give cities more flexibility in the way in which they may use STAR bonds. Other changes are more problematic because they may pose a negative fiscal impact upon cities that wish to avail themselves of the program.

The problematic changes include:

- The requirement that an independent economic impact, market and market impact study be done by a consultant selected by the Secretary of Commerce, but paid for by the city.
- The provisions that ratchet down the state's share of project costs from FY 2018 through FY 2021. This would result in a decrease of the state's share decreasing from 6 times the aggregate amount of the city and county tax revenue pledged to the STAR bond project in FY 2018 to not more than 3 times the aggregate amount of the city and county tax revenue pledged to the project in FY 2021.

We recognize that the above changes are policy changes and the legislature is free to make policy changes at any time. However, they do have a potential to financially impact cities wanting to use the project and this causes us concern.

Because of the concerns stated above, we are neutral on HB 2738.

Thank you.