



March 23, 2016

### **Testimony in Support of SB474**

Mr. Chairman and Members of the Committee:

On behalf of Americans for Prosperity activists across the state, thank you for this opportunity to add our support to SB474. This bill represents much needed reform to the Sales Tax and Revenue (STAR) Bond program and incorporates significant protection for the state and Kansas taxpayers.

The purpose of STAR Bonds, according to the Department of Commerce, is to “provide Kansas municipalities the opportunity to issue bonds to finance the development of major commercial, entertainment and tourism areas and use the sales tax revenue generated by the development to pay off the bonds.”

As Kansas relies more on consumption taxes to fund state government operations, it is even more critical to consider the implications of sales tax revenue bond decisions and ensure adequate controls are in place. SB474 places stronger controls and better oversight of the program moving forward:

- STAR bond districts may not include property which has been part of another STAR bond project.
- Developers must demonstrate private sector funding sufficient to fund 51% of the project costs.
- Projects will require an economic impact and market study by an independent consultant selected by the Secretary of Commerce rather than the municipality or developers involved.
- Cities will be required to include details of the competitive bidding process to be used in execution of STAR Bond projects as part of the plan approval process.

-All STAR Bond projects will be subject to an annual Legislative Post Audit review, and a report provided to the Post Audit committee and other relevant committees.

The program-wide reforms in SB474 is broader than the single project approach of SB161. The applicable section of SB161 would be nullified by the passage of SB474 and all new STAR Bond projects, including the Wyandotte County proposal, would be subject to the strong controls.

Likewise, SB474 is preferable to HB2738, which would expand program eligibility to include aquarium and athletic facilities, and add a project area encompassing downtown Wichita as a “Blighted Urban Redevelopment Area”. Such a broad expansion would turn STAR Bonds into another government incentive for local development projects, and forgoing the original “major, unique, destination attraction” purpose of the program.

AFP- Kansas takes no position on Section 8 of the bill which delegates Legislative oversight of the sale of Kansas Bioscience Authority assets to the State Finance Counsel.

The STAR Bond program places government in the position of picking winners and losers, and opens the door to cronyism. However, SB474 represents an improvement in the administration of the STAR Bond program and urge the committee recommend the bill favorably.

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