

Date: March 24, 2016

To: House Taxation Committee

From: Larry R. Baer

Re: SB 474 – Neutral Testimony  
(Written Only)

Thank you for allowing me to present neutral testimony on Senate Bill 474 on behalf of the League of Kansas Municipalities and our member cities.

As written, SB 474 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.
- Require that Legislative Post Audit conduct an annual audit of each STAR bond project, requiring that the cost of the audit be paid proportionately by each city with a STAR bond project. It is estimated that the first of such audits would take 4,000 hours and cost in excess of \$250,000 (for all audits). Subsequent audits should run less.
- Require rules and regulations be prepared by KDOC relating to the starting and completion dates of bond projects. Failure to meet deadlines set out in rules and regs would result in ownership of property reverting to the state, if acquired by STAR bond proceeds.

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 SB 474.

Thank you.