

SESSION OF 2015

SUPPLEMENTAL NOTE ON SENATE BILL NO. 283

As Amended by Senate Committee on
Commerce

Brief*

SB 283, as amended, would revise the Sales Tax and Revenue (STAR) Bond Financing Act pertaining to the evaluation of projects and the final settlement of financing used to pay for project costs.

The term “project costs” would include an economic impact study, which would be commissioned by the Secretary of Commerce to study the economic feasibility of a proposed STAR Bond project. An independent economic consultant, whom the Secretary would select, would conduct the study. The cost of the study would be paid by the city or county proposing a STAR Bond project. If the Secretary approves the STAR Bond project, the city or county could recover the study’s costs from the proceeds of the STAR Bonds issued.

If a STAR Bond district were to be expanded, as proposed by the city or county and approved by the Secretary, the base tax year for the additional area would be the same as the base tax year for the original district. Under current law, STAR Bonds may not finance more than 50 percent of a project’s total costs. If STAR Bonds financed more than 50 percent of total costs, the city or county would be required to remit the excess financing to the State General Fund. The remittance would occur at the end of the term of the STAR Bonds issued.

*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 <http://www.kslegislature.org>

Background

The STAR Bonds program is a form of tax increment financing that utilizes the increased revenue from state and local sales and use taxes to service the STAR Bonds. The Secretary, following the guidelines established by statute and administrative rule and regulation, must approve a STAR Bond project before bonds may be issued.

On March 4, 2015, the Legislative Division of Post Audit released an audit that evaluated the Heartland Park Racetrack Project in Topeka. The audit noted several concerns and suggested statutes that could be clarified.

During the Senate Committee hearing, the Post Auditor spoke in favor of the bill. The bill would provide the State with a means to claim bond proceeds if the project exceeded the 50 percent cap placed on STAR Bond funding. The bill also would specify that economic impact studies are to be conducted independently and clarify which base tax year would be used should a STAR Bond district be expanded.

A representative from the Department of Commerce provided neutral testimony, suggesting a technical amendment which would make the language in the bill consistent.

The Senate Committee on Commerce amended the bill with the technical amendment suggested by the Department of Commerce.

No fiscal note was available at the time of the Senate Committee's deliberations.