

February 9, 2021

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 151D-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2221 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2221 is respectfully submitted to your committee.

HB 2221 would add “major business facility” to the list of definitions associated with the STAR Bond Financing Act. “Rural development project” would be added to the list of project costs. The bill would increase the minimum capital investment required from \$50.0 million to \$75.0 million and projected gross annual sales from \$50.0 million to \$75.0 million.

The bill would alter the procedure for a city or county proposing to undertake a STAR bond project by requiring that a feasibility study be conducted by one or more consultants selected and approved by the Secretary of Commerce and the costs would be paid by the developer or the city or county. The Secretary would have control and oversight authority over the scope, conduct, and methodology of the study. In addition, the Secretary could establish a list of pre-approved consultants and approved study parameters and methods. HB 2221 would also increase the amount of information required to be included in the feasibility study as outlined in the bill.

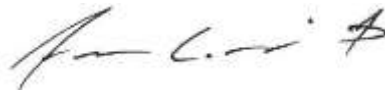
The bill would specify that for STAR bond project districts established after July 1, 2021, with existing sales tax revenue at the time the district was established, the pledge would not exceed 90.0 percent of the tax increment revenue received from any other state sales taxes. Under current law, the provisions regarding the STAR bond projects expired on July 1, 2020. HB 2221 would extend the provisions to July 1, 2026.

The Department of Commerce states there would be no fiscal effect on agency operations resulting from the enactment of HB 2221; however, the agency does indicate the bill would

increase tax revenues from any new STAR bond projects. Any fiscal effect associated with HB 2221 is not reflected in *The FY 2022 Governor's Budget Report*.

The League of Kansas Municipalities states enactment of the bill would give cities an economic development tool that would allow cities to potentially reduce property tax obligations over time. The Kansas Association of Counties states the bill's enactment would allow rural counties to capture STAR bonds for projects.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Sherry Rentfro, Department of Commerce
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties