

To: House Commerce

From: John Goodyear, General Counsel

Date: February 16, 2023

RE: Testimony in Support of HB 2387

I want to thank Chairman Tarwater and the members of the Committee for affording the League of Kansas Municipalities the opportunity to provide testimony in support of HB 2387.

Every fall, the League commences policy meetings to seek direction from our member cities on legislative issues. Cities propose changes to the League's Statement of Municipal Policy, discuss the issues being faced in their communities, and ultimately establish guidance for League staff in preparation for the upcoming legislative session. Following the 2022 session, one of the high-level priorities urged by our member cities was the creation of a mechanism to replace the income lost in STAR Bond districts by the phase-out and eventual elimination of the statewide food sales tax. The League strongly supports section 1 of HB 2387 that accomplishes that goal.

An unintended consequence of the lowering of the sales tax on food has been a reduction in sales tax revenue pledged to pay the bonds in these districts. Multiple districts have a concentration of stores that sell food, and the revenue from the state sales tax is an important component of paying back these bonds. If this revenue is not replaced, there will be a significant revenue loss in these districts and will threaten the financial success and viability of existing STAR Bond projects.

In addition to this specific policy statement regarding sales tax replacement in existing STAR Bond project areas, the League supports the continued ability of cities to utilize the program to promote economic development in their communities. By adding two more approved projects to the fold, Section 2 of HB 2387 increases the ability of cities to use the Act to drive development and tourism to their communities.

The League supports HB 2387 and would ask that the Committee recommend it favorably for passage.