

**Kansas Department of Commerce
Testimony on HB 2387
Bob North, Chief Counsel
at the Kansas Department of Commerce
House Commerce
February 16, 2023, 1:30 P.M.
Room 346 S**

Thank you for allowing us to testify in support of HB 2387. This bill would provide funding for Sales Tax and Revenue (STAR) Bond districts to replace lost food sales tax revenue, authorizes construction costs for historic theaters and amusement rides and moves the annual report deadline.

STAR Bonds are a financing tool that allows Kansas municipalities to issue bonds to finance the development of major commercial, entertainment and tourism projects. The bonds are paid off through the sales tax revenue generated by development. The intent is to increase regional and out of state tourism and economic activity visitation to Kansas.

Replacement of Lost Food Sales Tax Revenue

As the food sales tax is reduced, it is imperative that funding is allocated to the established STAR Bond districts that contain businesses that sell food or food ingredients. Since food sales tax was included in the revenue stream related to the marketing of these STAR Bonds, bondholders should be held harmless. This bill creates the mechanism and provides the funding for those established districts that previously generated sales tax on food and food ingredients. The secretary of revenue will certify the amount of revenue that would have been generated from the sales of food and food ingredients if the sales tax would have been 6.5%. Then using the STAR bonds food sales tax revenue replacement fund, the state treasurer will transfer that amount determined by revenue to the city bond finance fund. This will occur monthly.

Addition of Historic Theaters and Amusement Rides

The bill also authorizes vertical construction costs for historic theaters and amusement rides to be allowable expenses in a STAR Bond district. Historic theaters provide a tourism destination in communities across the state and can serve as a cultural hub, especially in rural communities. While historic theaters are currently eligible projects the restrictions on vertical improvements and other renovations are barriers to these projects. The same is true about amusement rides. They are a popular tourism destination that attract young people and families. With no amusement park attractions in the state, this added flexibility could lead to development of new and exciting attractions. These two new allowable expenses would create diversity in our STAR Bond districts and assist with the development of new tourism attractions.

Deadline for the Annual Report

Lastly, the bill changes the deadline for the annual STAR Bond report. The current statutory deadline for the report is January 31st. Fourth quarter sales tax data is critical to the usefulness of the report. However, it is almost impossible to collect that fourth quarter data, analyze the metrics and create a report to distribute to the legislature by the end of January. This bill moves the deadline back to March 31st. This additional time would allow Commerce to streamline the reporting process and provide the legislature with a robust report of annual STAR Bond activity.

STAR Bonds play an important role in growing the Kansas economy. Since the creation of STAR Bonds in 1999, there has never been a default in the program. It is a unique program that creates tourism and entertainment attractions. These changes reflect recent changes to the State's tax environment, diversify the types of projects that would be considered an eligible expense and provide additional time to compile the annual report. Overall, the changes proposed in this bill will strengthen STAR Bonds and generate more economic opportunities for Kansas.

I urge the committee to favorably pass HB 2387.