



Proponent Testimony Submitted to the  
**Senate Commerce Committee**

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On behalf of the City of Derby

**Proponent Testimony in Support of HB 2387**

Thank you, Madame Chair, Vice-Chair, Ranking Member and members of the Committee, for allowing the City of Derby to provide testimony in support of House Bill 2387.

The City of Derby stands in support of HB 2387 as it remedies an unintended consequence of phasing down and eliminating the state sales tax on food. HB 2387 passed the House last session 72 – 49. We believe the House stands in strong support of the STAR Bond Food Sales Tax Replacement Fund, which is described on page one, but in detail on page 2 lines 2-18.

The phasing down and out of state food sales tax is helpful and appreciated by Kansans, but the policy did have an unintended impact on some existing STAR Bond Districts in Kansas including the City of Derby. The reduction and phase-out of food sales tax removes a substantial portion of revenue used to pay down the bonds associated with the STAR Bond Districts. The revenue reduction will have the negative effect of significantly extending the life of the bond repayment beyond what was considered in the overall project economics.

Ultimately, the loss of food sales tax revenue threatens the financial viability and success of existing STAR Bond projects and the economic projections made at the time the bonds were sold. Groceries in the district were part of the revenue pledged by the State to help repay the bonds.

The budget appropriation included in the last two legislative sessions to make up the loss and help hold the bondholders and communities financially harmless from the financial gap created has been greatly appreciated. However, a stable, long-term annual funding mechanism is needed. HB 2387 ensures that an annual funding mechanism is created to maintain a positive bond rating for impacted STAR bond project bonds. Derby has a successful STAR bond district that has several grocery components, including a Dillon's Marketplace, Target, and Aldi's. The district in Derby has been financially successful, with the first STAR bond issued in 2017 paying off 15 years early in 2022. Derby has two outstanding STAR bonds that were issued before December 2022 that have repayment schedules impacted by the elimination of that repayment source. By moving forward with HB 2387 the State helps fulfill the funding source that they pledged to help repay part of the STAR bonds and ensure a growing community like Derby can continue to thrive. We urge you to adopt HB 2387. Thank you for your consideration.