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MEMORANDUM

To: Senator Erickson, Representative Tarwater, and members of the Joint Meeting of the Senate Committee on Commerce and House Committee on Commerce, Labor, and Economic Development

From: Office of Revisor of Statutes

Date: June 17, 2024

Subject: Major Professional Sports Franchise STAR Bond Bill

I. INTRODUCTION

This bill establishes a STAR bond-based economic development initiative for the purpose of attracting up to two major professional sports franchises to Kansas. The project may be led by the secretary independently, with participation by the city or county through pledging local sales, use and transient guest taxes, or by a city or county following the usual process. In either case, the project must be approved by the legislative coordinating council. (Pgs. 1-3.) The program requires a minimum capital investment of \$1,000,000,000 and the construction of a stadium or professional sports training facility and permits the development of other facilities and attractions. (Pg. 7.) As noted, any project must be approved by the legislative coordinating council and unless an extension of an additional year is granted by the council, the secretary of commerce must execute an agreement or approve a project led by a city or county by June 30, 2025. (Pgs. 2-3.) The program provides for enhanced revenue streams including up to 100% of state sales taxes and alcohol taxes from sales within a district and moneys from the attracting professional sports to Kansas fund of the department of commerce. (Pgs. 24-26.) The program facilitates these revenue streams and increases permitted discretion for this project by removing certain statutory limitations on STAR bond district boundaries and on revenue collections from certain businesses, relaxing the statutory limitation on the percentage of STAR bond funding permitted for project costs, extending the permitted term for bonds, and other

changes. The determination of base year tax revenues for purposes of setting the tax increment for funding of STAR bonds is discretionary. The program is limited to only two projects in total, whether undertaken by the secretary independently or by a city or county as approved by the secretary. (Pg. 2.) All amendments to the STAR bonds financing act apply only for purposes of this program.

II. PROGRAM STRUCTURE AND PROVISIONS

The program is structured to provide two pathways for establishment of a project. The expedited pathway operates through the secretary of commerce, in the manner of a department of commerce economic development program. The secretary is authorized to enter into an agreement with a major professional sports franchise for a project, subject to the approval of the legislative coordinating council. (Pgs. 1-3.) Upon approval, the secretary may establish the STAR bond district and undertake the project pursuant to that agreement and the applicable provisions of the STAR bonds act independently without the participation of a city or county or usual hearing procedures. (Pgs. 16-20.) The Kansas development finance authority may issue the STAR bonds instead of the city or county. (Pg. 17.) However, only state sales tax revenues may be pledged to the project unless the city or county elects to contribute local sales, use and transient guest tax revenues after a public hearing and the passing of an ordinance or resolution. (Pgs. 16-17.) A city or county must pass the ordinance within 60 days of the council's approval of the agreement or the secretary may proceed without participation of the local authority. (Pg. 17.)

The second tract is similar to the usual city or county-led STAR bond development, except that approval of the project by the secretary is contingent on the legislative coordinating council's approval. (Pgs 2-3, 18.) A project established by a city or county, just as a project independently established by the secretary, benefits from the additional revenue streams of alcohol taxes and moneys from the attracting professional sports to Kansas fund as well as the other changes to the STAR bonds financing act. If approved by the secretary, the Kansas development finance authority may issue STAR bonds for a city or county-led project just as for a project developed independently by the secretary. The city or county must obtain project approval by the

secretary, as first approved by the legislative coordinating council, by June 30, 2025, unless the secretary's authority to approve a project is extended by the council as previously noted.

III. BILL SECTIONS

Section 1 (New Section.) (Pgs. 2-3.)

- Establishes the secretary's authority, with the approval of the legislative coordinating council, to seek and execute an agreement for the STAR bond project with a major professional sports franchise and approve a project undertaken by a city or county.
- Provides for submission of documents, including the project plan, by the secretary and sets confidentiality provisions for LCC meetings. LCC Chairperson may close meetings and documentation provided regarding a proposed agreement remains confidential until the agreement is reached. Voting must be in open session.
- Requires LCC approval of the project.

Section 2 (Amending K.S.A. 12-17,162.)

- Defines
 - "Major professional sports franchise." Defines the entity eligible for a STAR bond project pursuant to this program. The definition includes any corporation, partnership or other entity that owns a team or franchise that is a member of the national football league or major league baseball that is located in a state adjacent to Kansas. (Pgs. 7-8.)
 - "Major professional sports complex." Sets out the scope of development permitted to be financed with the proceeds of STAR bonds for this project. This includes a stadium of not less than 30,000 seats or a training facility and all buildings, improvements, facilities or attractions located with the STAR bond project district as defined. (Pg. 7.)
 - "STAR bond project." Defines the project by reference to the definition of a "major professional sports complex" and requires a minimum capital investment of \$1,000,000,000. (Pg. 12.)

- “STAR bond project costs.” Permits costs for construction or renovation of buildings and other structures, utilities, and as approved by the secretary, and any related expenses to develop or finance the project. (Pg. 9.)
- “STAR bond project district.” Defines permissible boundaries for the area from which revenues may be collected to pay STAR bonds issued for this project and within which the STAR bond project may be developed. This may include noncontiguous areas and areas that have been a part of another STAR bond project district. Any STAR bonds issued for such previously established district have priority for repayment from revenues collected from the district. (Pg. 13.)
- “STAR bond project plan.” Notes that the definition includes a plan for this project adopted by the secretary or by a city or county as approved by the secretary, as authorized and approved by the LCC. (Pg. 13.)
- “Tax increment.” This definition discusses the local and state revenue streams for STAR bonds, including alcohol taxes, and the secretary’s discretion in how the tax increment for those revenue streams are set. The secretary has discretion to set the base revenue amount for state sales and alcohol taxes. The city or county has discretion to set the base revenue for local sales and use taxes, subject to the approval of the secretary. For a project undertaken by the secretary independently, any contribution of local revenues must be approved by the city or county after a public hearing. Describes provisions regarding the collection of sales taxes from businesses within the district, the boundaries of a STAR bond project district permitted for purposes of this project, and the as noted the determination of base year revenues. Any revenues pledged for payment of previously issued outstanding STAR bonds are excluded from the tax increment. (Pgs. 14-15.)

Section 3. (Amending K.S.A. 12-17,164.) (Pgs. 16-21.)

- Requires a STAR bond project led by a city or county be approved by the LCC.
- Addresses the two-track system noted above. Discusses the requirements for a city or county to participate by contributing local sales, use and transient guest taxes to a STAR bond project led by the secretary.

- Permits financing by the Kansas development finance authority as authorized by the secretary.
- Establishes the authority for the secretary to independently establish the STAR bond project district, undertake the STAR bond project and make subsequent changes to the project including additional financing and provides for an expedited process in lieu of the hearing procedures required for a project led by a city or county.
- Prohibits use of local tax revenues unless approved by the city or county.
- References the limitation on the secretary's authority to establish or approve projects subject to approval by the LCC.
- Increases the percentage of permitted STAR bond funding of total projects costs to 70%.
- Permits businesses relocating from another area of the state to participate in the project.
- Provides for a term of up to 30 years for STAR bonds issued for this project.
- The secretary may assess the usual administrative fee for this program.

Section 4. (Amending K.S.A. 12-17,168.) (Pgs. 21-22.)

- Limits additional STAR bond issuance authority of the secretary for an expansion or addition to the project to 70% of the total costs of the addition or expansion.
- Requires LCC approval of any additional issuance of STAR bonds.
- Permits additional STAR bonds for an expansion or addition of a project to be issued by the Kansas development finance authority.

Section 5. (Amending K.S.A. 12-17,169) (Pgs. 22-32.)

- Establishes and details the revenue streams to fund STAR bonds issued by a city or county or by the Kansas development finance authority and certain changes to the provisions of the STAR bonds financing act and STAR bond project districts regarding collection of those revenues.
- In addition to the usual revenues that may be pledged for STAR bonds, this section provides for and describes provisions for state sales and use tax revenues, alcohol tax revenues and moneys from the attracting professional sports to Kansas fund. Specifies

permitted percentages of the tax increment from such state tax revenues to be pledged for payment of bonds. For state sales and use tax and alcohol taxes, this is up to 100%.

- Provides that any revenues pledged for previously issued STAR bonds must first go toward payment of any remaining obligations of such bonds.
- Permits the Kansas development finance authority to refund bond issuances, as approved by the secretary.
- Includes projects established by a city or county to be included in the STAR bond report to be provided to the secretary.
- Authorizes the Kansas development finance authority to use STAR bond proceeds to pay project costs.

Section 6. (Amending K.S.A. 12-17,170.) (Pgs. 32-33.)

- Provides no public funds shall be used to pay any default of STAR bonds issued by the Kansas development finance authority.

Section 7. (Amending K.S.A. 12-17,174.) (Pgs. 33-34.)

- Provides for the provision of records pertaining to the collection of taxes from the sale of alcoholic liquor filed with the secretary to be provided to the bond trustee, escrow agent or paying agent.

Section 8 and 9. (Amending K.S.A. 79-4108 and K.S.A. 79-41a03.) (Pgs. 34-38.)

- Provide for the collection and use of taxes for the sale of alcoholic liquor for payment of the STAR bonds issued for this project.

Section 10. (Amending K.S.A. 79-4801.) (Pgs 38-40.)

- Current law provides for the transfer of certain moneys from the lottery operating fund to the state gaming revenues fund and dictates the distribution of such moneys. This section pertains to the transfer of certain moneys from the state gaming revenues fund to the attracting professional sports to Kansas fund. The funds to be transferred are specified as any funds in excess of funds already allocated for other purposes

(\$50,000,000) and an amount to be transferred to the state general fund in excess of that \$50,000,000 that together total \$71,490,000. If the revenues transferred to the state gaming revenues fund from the lottery operating fund exceed that aggregate amount of \$71,490,000, that amount in excess of \$71,490,000 is transferred to the attracting professional sports to Kansas fund of the department of commerce. This transfer occurs for the fiscal year ending June 30, 2025 and each fiscal year thereafter. As noted, the attracting professional sports to Kansas fund is a revenue source for financing STAR bonds issued pursuant to this program.

IV. EFFECTIVE DATE

- If enacted the bill would become effective July 1, 2024.