

SPECIAL SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2001

As Recommended by House Committee of the
Whole

Brief*

HB 2001 would amend the STAR Bond program to authorize projects involving major professional sports complexes and provide said projects with additional sources of revenue for bond repayment. The bill would also provide enhanced approval authority for the Secretary of Commerce (Secretary) and the Legislative Coordinating Council (LCC), to approve no more than two such STAR Bond projects and allow the Kansas Development Finance Authority (KDFA) to issue special obligation bonds in FY 2025 and FY 2026 for purposes of funding said projects.

STAR Bonds Financing Act

The bill would authorize agreements with one or two major professional sports franchises for the purpose of establishing major professional sports franchise STAR Bond project districts for a major professional sports complex. The bill would require these projects to have a minimum capital investment of \$1.0 billion. The authority to establish such projects would sunset on June 30, 2025, with the option of a one-year extension if approved by the LCC.

All provisions of the bill would pertain exclusively to STAR Bond projects for a major professional sports complex and would not be applicable to other potential STAR Bond projects described in statute.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Definitions

The bill would establish the following definitions within the STAR Bonds Financing Act (Act):

- “Major professional sports complex” would mean a project in the state that includes a stadium of no fewer than 30,000 seats for the purpose of hosting National Football League (NFL) or Major League Baseball (MLB) games and other events or a practice or training facility utilized by a major professional sports franchise. The bill would authorize such projects to include all buildings, improvements, facilities, or attractions located within the STAR Bond project district; and
- “Major professional sports franchise” would mean any corporation, partnership, or other entity that owns a team or franchise that is a member of the NFL or MLB and that is located in any state adjacent to Kansas.

The bill also would amend the definition of “project costs” to include the cost of a major professional sports complex that would include all costs necessary to implement a STAR Bond project for the development of a major professional sports complex including, but not limited to, costs incurred for the following:

- Construction or renovation of a stadium and other buildings;
- Improvements;
- Structures;
- Facilities;
- Infrastructure improvements;

- Utilities; and
- Related expenses to develop and finance such complex.

Exemptions

The bill would allow major professional sports complex STAR Bond projects to include real property that is or has been part of another STAR Bond project district. Any outstanding STAR Bonds issued for such other district would have priority for repayment. For these projects, the bill would not require developed areas to contain contiguous parcels of real estate..

The bill also would exempt these STAR Bond projects from the requirement barring relocation from another area of the state.

Alternate Procedure for Approval

The bill would allow a major professional sports complex STAR Bond project to be approved by the Secretary without approval by the city or county in which the project would be located.

In lieu of the city or county approval method contained in the Act, the bill would authorize the Secretary to assume the powers of a city or county, as provided in the Act, that would be necessary to establish and undertake the project. Such powers would include changes to the project district, except no public hearing would be required prior to action. Special obligation bonds would be issued by the KDFA and no revenue from local sales, use, or transient guest tax would be pledged as sources of repayment. The bill would also state that any special obligation bonds issued by the KDFA under the Secretary's authority would not constitute a debt of the State of Kansas.

The bill would require the Secretary to present any proposed agreement for a major professional sports complex STAR Bond project to the LCC for review and approval of the potential agreement. If the LCC does not approve said proposed agreement, the bill would authorize the Secretary to continue negotiations with the major professional sports franchise and submit another proposed agreement for LCC review and approval.

The bill would also require that the LCC review and approval process apply to the local government approval method in statute if used for a major professional sports complex project, as well as any additional bonds issued following initial approval of the project.

STAR Bond Financing

The bill would allow a STAR Bond project involving a major professional sports complex to finance up to 70.0 percent of the total costs of the project. [Note: All other STAR Bond projects are limited to 50.0 percent of total costs.] The Secretary would be authorized, with approval of the LCC, to request additional special obligation bonds to be issued in an amount exceeding the amount previously approved by the Secretary, limited to not more than 70 percent of the additional costs or expansion of the project. The bill would prohibit the terms of all special obligation bonds for these projects from exceeding 30 years.

[Note: Any special obligation bonds issued by the KDFFA for projects approved solely by the Secretary would pledge only state revenues from the above-mentioned revenue sources from within the confines of the district for purposes of bond repayment.]

Payment of the special obligation bonds issued by the city, county, or KDFFA would be payable from a pledge of the following:

- Any method or combination of methods currently in statute except that tax increment revenue would include all retail sales tax collected from any business within the STAR Bond district [*Note:* STAR Bond repayment currently excludes sales tax collected from retail automobile sales and caps the amount of increment state sales tax at 90.0 percent.];
- Up to 100.0 percent of revenues derived from the sale of alcoholic liquor collected from consumers purchasing alcoholic liquor within the STAR Bond district [*Note:* This would capture the privilege and drink taxes but would exclude the gallonage tax charged to producers.]; and
- With approval of the Secretary, moneys from the Attracting Professional Sports to Kansas Fund.

The bill would also provide both the Secretary and the participating local unit of government with discretion on determining the base year amount of tax revenue from which the increment tax revenue is calculated. [*Note:* Current law requires a STAR Bond district to calculate its base year of revenue by aggregating the 12 months of sales tax revenue for the district prior to establishment of the district.]

The bill would state that if the major professional sports complex STAR Bond project was unilaterally approved by the Secretary without city or county approval, only the State portions of the aforementioned taxes could be pledged to repayment of the bonds. Should the city or county wish to participate in a Secretary-initiated project, the bill would require the local unit of government to hold a public hearing and pass a resolution or ordinance that pledges the applicable local revenues to the project within 60 days of LCC approval of the project.

The bill would also require any revenues that have been previously pledged to pay one or more STAR bonds to be

used to first satisfy the remaining obligations of the previous bonds. The bill would also authorize the Secretary to approve KDFA's refunding of all or part of any special obligation bonds issued for a project.

Kansas Open Meetings Act and Kansas Open Records Act

The bill would grant the LCC chairperson the discretion to determine when any review, testimony, or discussion regarding proposed agreements for a professional sports complex project could be held in executive session. The bill would also require the vote on the proposed agreement to be made in open session and be limited to an up-or-down vote.

The bill would deem a proposed agreement and any associated documentation or testimony to be confidential and not subject to the Kansas Open Records Act until the agreement has been approved and executed. Such confidentiality would expire on July 1, 2029, unless reenacted by the Legislature.

State Gaming Revenues Fund

The bill would require that the Director of the Budget and the Director of Legislative Research, on June 25, 2025, and every June 25 thereafter, certify the aggregate of all amounts that have been transferred from the Lottery Operating Fund to the State Gaming Revenues Fund (SGRF). Any moneys in excess of \$71.49 million would be transferred on June 30, 2025, and each fiscal year thereafter to the Attracting Professional Sports to Kansas Fund. If the SGRF is found to have equal to or less than \$71.49 million, no transfer would occur. [*Note: Currently all money with the SGRF in excess of \$50.0 million is transferred to the State General Fund.*]

Background

Joint Meeting of the House Committee on Commerce, Labor, and Economic Development and the Senate Committee on Commerce

A joint meeting of the House Committee on Commerce, Labor and Economic Development and Senate Committee on Commerce was held on June 17, 2024. The Committees received an overview from staff from the Office of the Revisor of Statutes on a bill draft regarding STAR Bond projects and major professional sports complexes. The Committees also heard testimony from stakeholders on the draft bill.

During the informational hearing, **proponent** testimony was provided by representatives of the Kansas Chamber, Polsinelli Law Firm on behalf of the Kansas City Chiefs, Scoop and Score, Stinson Law Firm on behalf of the Kansas City Royals, and the Unified Government of Wyandotte County and Kansas City, Kansas. The proponents generally stated the bill could attract the Kansas City Chiefs and Kansas City Royals to relocate to Kansas, the complexes would generate sales tax and revenue that otherwise would not be generated, and that STAR Bonds would not transfer stadium construction costs to Kansas taxpayers.

Written-only proponent testimony was provided by former Kansas Governor Jeff Colyer and representatives of the Greater Topeka Chamber; Kansas Beer Wholesalers Association; Kansas City Kansas Chamber of Commerce; Kansas Economic Development Alliance; Lawrence Chamber of Commerce and EDC Lawrence – Douglas County; Manhattan, Emporia, Topeka, and Lawrence Coalition of Chambers of Commerce; Olathe Chamber of Commerce; Overland Park Chamber of Commerce; Shawnee Chamber of Commerce; Travel Industry Association of Kansas; Unified Government of Wyandotte County and Kansas City, Kansas; and Wichita Regional Chamber of Commerce.

Opponent testimony was provided by representatives of Americans For Prosperity – Kansas and the Kansas Policy Institute. The testimony generally stated the bill was rushed and the process lacked transparency, STAR bonds only shift economic activity, and small businesses in the project area would be negatively affected.

Neutral testimony was provided by a representative of the Office of the Governor. The testimony generally stated the Governor does not have any current concerns with the bill warranting a veto. While not providing testimony, a representative of the Department of Commerce was available and answered questions from Committee members.

Written-only neutral testimony was provided by a representative of the Office of the Governor and former state Senator Chris Steineger.

Fiscal Information

No fiscal note was available at the time of the informational hearing.

During the hearing, the Committees received information from the Kansas Legislative Research Department on the distribution of traditional lottery proceeds for FY 2023, FY 2024, and FY 2025. As seen in the table below, had the transfer provisions of the law been enacted by FY 2023, there would have been a transfer of approximately \$3.3 million to the Attracting Professional Sports to Kansas Fund for FY 2023 and \$4.0 million for FY 2024. For FY 2025, the estimated amount does not exceed the \$71.49 million threshold and so no transfer would occur.

Distribution of Traditional Lottery Proceeds
Spring 2024 CRE Estimate

	<i>FY 2023 Actual</i>	<i>FY 2024 Estimate</i>	<i>FY 2025 Estimate</i>
Total Traditional Lottery Revenue	\$ 85,076,074	\$ 85,750,000	\$ 82,750,000
<i>Transfers from Lottery Operating Fund:</i>			
Veterans Benefit Lottery Game Fund	1,260,000	1,260,000	1,260,000
Community Crisis Stabilization Centers Fund	6,750,000	6,750,000	7,500,000
Clubhouse Model Program Fund	2,250,000	2,250,000	2,500,000
Total Other Transfers	<u>\$ 10,260,000</u>	<u>\$ 10,260,000</u>	<u>\$ 11,260,000</u>
Transfer to SGRF	\$ 74,816,074	\$ 75,490,000	\$ 71,490,000
<i>Transfers from SGF:</i>			
Economic Development Initiatives Fund	\$ 42,415,000	\$ 42,415,000	\$ 42,415,000
Juvenile Alternatives to Detention Fund	4,990,000	4,990,000	4,990,000
Correctional Institutions Building Fund	2,495,000	2,495,000	2,495,000
Problem Gambling and Addictions Grant Fund	100,000	100,000	100,000
Total Transfers from SGRF	<u>\$ 50,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ 50,000,000</u>
Transfer to State General Fund	\$ 24,816,074	\$ 25,490,000	\$ 21,490,000
Balance After SGRF & SGF Transfers	\$ -	\$ -	\$ -

Commerce; STAR Bonds Financing Act; Secretary of Commerce; major professional sports complex; sports; State Gaming Revenues Fund; Attracting Professional Sports to Kansas Fund; economic development