

March 24, 2015

The Honorable Marvin KleeB, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative KleeB:

SUBJECT: Fiscal Note for HB 2410 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2410 is respectfully submitted to your committee.

HB 2410 would require any city or county proposing to undertake a STAR bond project to prepare an economic impact study. The study would be conducted by an independent economic consultant selected by the Secretary of Commerce, and the city or county would be responsible for the payment of the consultant. A city or county approved for STAR bond project financing would be required to pay to the State General Fund any amount in which the project financing exceeds 50.0 percent of the total cost, including all project costs and any other cost related to the project. In the case of a major motorsports complex, the city or county would be required to pay any amount in which the project financing exceeds 50.0 percent of the STAR project costs. For any additional STAR bond project financing sought, the city or county would be required to pay any amount in which the financing exceeds 50.0 percent of the total cost of the addition or expansion to the STAR bond project.

The bill would expand the definition of “project costs” to include costs incurred for an economic impact study among costs necessary to implement a STAR bond project plan. In addition, current law defines “tax increment” as that portion of the revenue derived from state and local sales, use and transient guest tax collected from taxpayers doing business within that portion of a STAR bond project district occupied by a project that is in excess of the amount of base year revenue. HB 2410 would amend this definition to clarify that the base year of a STAR bond project district following the addition of area to the STAR bond project would be the base year of the original area.

The Department of Revenue indicates the enactment of HB 2410 would increase State General Fund revenues from local governments, but an estimate cannot be provided because it has no information on the number of cities and counties with STAR bond projects whose financing would exceed 50.0 percent of total project costs. The Department indicates that the

The Honorable Marvin Kleeb, Chairperson

March 24, 2015

Page 2—HB 2410

bill would require \$18,810 from the State General Fund in FY 2016 to implement the bill and to modify computer systems. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Commerce would incur administrative costs related to implementing the provisions of HB 2410, but those costs would be negligible and could be absorbed within existing resources.

The League of Kansas Municipalities indicates HB 2410 would require cities seeking to obtain STAR bonds or expand STAR bond projects, to make immediate payments to the State General Fund. The bill would also increase the cost of STAR bond projects from the requirement to hire a consultant to conduct an independent economic impact study. However, the League is unable to determine a precise fiscal effect because the cost of an economic impact study and the number of cities that would be affected is unknown.

A request to provide fiscal effect information has been sent to the Kansas Association of Counties. If information is provided, this fiscal note will be revised. Any fiscal effect associated with HB 2410 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Dan Lara, Commerce
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties
Jack Smith, Department of Revenue