

SESSION OF 2009

SUPPLEMENTAL NOTE ON SENATE BILL NO. 119

As Amended by House Committee on
Economic Development and Tourism

Brief*

SB 119, as amended, would create the Community Investment District Act. The purpose of a community investment district (CID) would be to promote and support economic development, including tourism and cultural activities. The bill would define CID projects to include capital improvements, infrastructure, and certain operational costs. Projects may be funded by the use of special obligation bonds, full faith and credit bonds, or on a pay-as-you-go basis. The bill would authorize a city or county to create a CID after receiving a petition that is signed by either:

- All landowners within the proposed district who seek financing solely by assessment and not by the issuance of full faith and credit bonds. If all landowners petition for a CID, then the city or county may proceed with its creation and assessments without notice or hearing; or
- More than 55.0 percent of the landowners within the proposed district and also signed by landowners collectively owning more than 55.0 percent of the assessed value of the land area within the proposed district. If this second petition method is utilized, then the bill would require a city or county to adopt a resolution giving public notice of a hearing concerned with the creation and financing of a CID.

*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>

Payment of project costs

Under the second petition method, the bill would allow for funding to come from any combination of the following means:

- Special assessments, either paid in full or by installments.
- A CID sales tax, in any increment of 0.1 percent or 0.25 percent, that could not exceed 2.0 percent. The Department of Revenue would collect the sales tax and remit it on at least a quarterly basis. Revenue from this sales tax would go either for the repayment of bonds or on a pay-as-you-go basis. If bonds are repaid, the CID sales tax would expire no later than the date the bonds matured. On a pay-as-you-go basis, the sales tax would expire 22 years after the date the sales tax is levied or when the pay-as-you-go costs have been paid.
- A city or county's ad valorem taxing authority for the repayment of full faith and credit bonds.
- Any other funds appropriated by the governing body.

The bill would authorize the Department of Revenue to retain 2.0 percent of the sales tax revenue collected within all CIDs, up to a maximum of \$60,000, to be used for the administration of this new economic development program.

Background

Proponent testimony was provided by the Community Improvement Coalition, the Kansas Economic Development Alliance, the Kansas Association of Realtors, the Lenexa Chamber of Commerce, the City of Manhattan, the Overland Park Chamber of Commerce, the Northeast Johnson County Chamber of Commerce, the Topeka Chamber of Commerce, and the Unified Government of Wyandotte County. Proponents stated that the creation of community improvement districts

would be a flexible local option for communities that would allow for new revenues to be used for economic development. Such districts would allow communities and the state to remain competitive with neighboring states. Unlike a tax increment financing (TIF) district or a sales tax and revenue (STAR) bond district, a CID would not divert existing revenues from the state or local units of government.

The Department of Revenue opposed the bill. According to the agency, the creation of such districts could proliferate. It was noted that there are already twenty-five transportation development districts (TDDs), for which a maximum sales tax of 1.0 percent may be levied. Five additional TDDs are in the process of being planned. The Department must regularly verify which businesses are located within a special taxing district. Those businesses must use special taxing codes so that revenues may be accurately redistributed. The representative of the Revenue Department expressed concern that additional taxing districts could effectively “crowd out” the state’s ability to raise additional sales tax revenue. It was suggested that the bill be amended to allow the Department of Revenue to retain 2.0 percent of the sales tax collected as reimbursement for administrative costs.

The House Committee adopted two amendments that were proposed by a subcommittee that was created to further consider the bill. The first amendment would increase the percentage from 50.0 to 55.0 percent as the minimum requirement necessary for both the number of landowners that are required to sign a petition and for the aggregate assessed value of the landowners’ land found within the proposed boundaries of the CID. The second amendment would authorize the Department of Revenue to retain 2.0 percent of the sales tax revenue collected within all CIDs, up to a maximum of \$60,000, to be used for the administration of this new economic development program.

The Senate Committee of the Whole amended the bill to provide for the expiration of the CID sales tax when the project bonds or pay-as-you-go costs have been paid.

The revised fiscal note prepared by the Division of the Budget indicates that the bill would require additional processing and tracking by the Department of Revenue which would cost an additional \$60,000 from the State General Fund.