

SESSION OF 2010

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 495**

As Amended by Senate Committee on  
Commerce

**Brief\***

SB 495 would require that the proceeds of additional Sales Tax and Revenue (STAR) bond financing could be used only to pay for a project expansion or for a new project within an existing STAR bond district. To finance the payment of the bonds, the funding would be derived solely from the tax increment revenues, as defined in KSA 12-17,162(dd), that are generated by the expansion or the new project. Currently tax increment revenues are defined to include state and local sales taxes and the transient guest tax. The bill would apply to all existing STAR bond projects.

The bill also would delete the statutory authority that grants the Secretary of the Department of Commerce the ability to approve a STAR bond district that was established by a city before May 1, 2003.

**Background**

Proponents for the bill included Senator Karin Brownlee and a private citizen from Wyandotte County. According to their testimony, the purpose of the bill would be to prevent unplanned STAR bond creep and to encourage local government officials, developers, and state officials to exercise due diligence when expanding STAR bond projects. Proponents characterized the deletion of the Commerce secretary's approval authority as a "clean-up" amendment to an existing statute.

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\*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>

The Unified Government of Wyandotte County provided opponent testimony. According to the county, if the bill had already been law, then the recent agreement with Cerner and for a major league soccer stadium could not have happened. Opponent's testimony stated that even with these new projects, the STAR bonds still will be retired early.

The Department of Commerce provided neutral testimony as administrator of the STAR bond approval process. Agency personnel suggested language that further would clarify that additional bonding could be used for expansions or for new projects but that the financing for those bonds would have to be derived from the expansion or new projects. The Department also suggested that the term "base year" also be clarified so that the tax base would be calculated on the twelve month period prior to the Commerce secretary's approval. According to the Department, the tax base can be zero in some instances.

The Senate Commerce Committee amended the bill by adopting the Commerce Department's first suggestion to clarify that additional STAR bonds could be issued but that the financing for those bonds would have to come from the expansion or new project.

The fiscal note prepared by the Division of the Budget indicates that the bill, as introduced, would not have an effect on state revenue. According to the League of Kansas Municipalities and the Kansas Association of Counties, the bill has the potential to increase costs for local governments, but neither organization could provide an estimate of the fiscal impact.