



Date: February 26, 2025  
To: Chairman Smith & the House Committee on Taxation  
From: Kiel Mangus, City Manager, City of Derby  
Re: Testimony in Support of HB 2211

Thank you, Mr. Chair, Vice-Chair, Ranking Member and members of the Committee, for allowing the City of Derby to provide testimony in support of House Bill 2211.

The City of Derby stands in support of HB 2211 as it remedies an unintended consequence of phasing down and eliminating the state sales tax on food. The phasing out of state food sales tax is helpful and appreciated by Kansans, but the policy did cause an unintended impact on existing STAR Bond Districts in Kansas that had grocery components, including the City of Derby. The reduction and phase-out of food sales tax eliminates a substantial portion of revenue generated and allocated to pay down the bonds associated with the STAR Bond Districts. This revenue reduction will have the negative effect of significantly extending the life of the bond repayment beyond what was considered in the overall project economics and shifting undue financial burdens onto cities that were partners in the STAR bond projects.

The Department of Commerce 2023 budget appropriation included funding to make up the lost revenue and help hold the bondholders and communities financially harmless from the financial gap created. This was greatly appreciated. However, reimbursement funding was cut completely in 2024 and 2025. Sales tax on groceries in the district were part of the revenue pledged by the State to help repay the bonds. When the State entered partnerships with cities for STAR bond projects, they encouraged local investment from the City and that investment was based upon a predictable and reliable funding structure. By eliminating the food sales tax without providing a replacement revenue source, the State has put STAR bond communities at a financial disadvantage.

Derby has a successful STAR bond district that has several grocery components, including a Dillon's Marketplace, Target, and Aldi's. The district in Derby has been financially successful, with two phases of STAR bonds paying off 15 and 16 years early. The final phase of

.....

STAR bonds is most impacted by the lost grocery sales tax revenue. The lost grocery sales tax revenue from the State means that increased local sales tax revenue remains locked in the repayment of the STAR bond district bonds. Those local sales tax dollars could be used to help fund critical public services such as public safety and infrastructure. Since those local sales tax dollars are unavailable until STAR bond debt is paid off, that leaves our community no choice but to cut those critical services or raise property taxes to cover those costs.

HB 2211 provides a stable annual funding mechanism to honor the State's original funding commitment until the bonds are paid off. It is not new revenue, but revenue that the State has already pledged to help repay the bonds. By advancing HB 2211 the State fulfills the funding source pledge to help repay part of the STAR bonds and ensure a growing community like Derby can continue to thrive without shifting additional property tax burden on our residents. We urge you to adopt HB 2211. Thank you for your consideration.