

Chairperson Smith and Members of the Committee,

We appreciate this opportunity to provide written testimony opposing HB 2211, which would use state taxpayer money to prop up local STAR bond subsidy projects.

There are two primary reasons for our opposition:

1. Local elected officials who committed to supporting STAR bond projects should have considered all the risks, including allowances for circumstances that could impact funding for subsidized projects.
2. Research shows that most STAR bond projects do not create a net benefit for taxpayers.

The Legislature began discussions to reduce or eliminate the sales tax on food at least ten years ago, so local officials should have built that specific risk into deliberations that led them to approve projects. Kansans need more tax relief, and using their state income and sales taxes to subsidize projects approved by local elected officials is just another barrier to additional tax relief.

Also, research conducted by Dr. Arthur Hall with the Brandmeyer Center for Applied Economics at the University of Kansas concludes that most STAR bond projects do not create incremental benefits for taxpayers.

Hall examined employment and wage growth trends related to two Wichita STAR bond projects in his 2020 paper, "Perspectives on Economic Development Incentives and Economic Growth in Wichita," conducted on behalf of Kansas Policy Institute.¹

In layperson's terms, he concluded that the projects merely shifted jobs and economic activity from one side of the city to another. Creating a new shopping area or tourist attraction does not change the amount of money people can afford to spend on such activities, so money spent in a new STAR bond area results in less economic activity elsewhere.

For these reasons, we encourage the Committee not to recommend HB 2211 and we thank you for your consideration.

¹ "Perspectives on Economic Development Incentives and Economic Growth in Wichita," Dr. Arthur P. Hall, Kansas Policy Institute, January 2020 at <https://kansaspolicy.org/perspectives-on-economic-development-incentives-and-economic-growth-in-wichita/>