



Chair Smith and Members of the Committee,

On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony in opposition to HB 2211, which uses SGF funds to replace lost food sales tax revenue for certain STAR bond districts, modifies the tax increment definition, and sets a timeline for revenue certifications and fund transfers starting in July 2025. We hold the following positions on HB 2211. We hold the following positions on the STAR BOND bill.

1. HB 2211's use of SGF funds for STAR Bond repayment makes every Kansas taxpayer the guarantor of the program.
2. STAR Bond needs reform to be successful.
3. STAR Bonds shift tax burdens to the most vulnerable Kansans across the state, making it harder to make the state's tax climate uncompetitive.
4. STAR Bonds have coincided with Kansas falling farther behind the National Average than before STAR Bonds

**HB 2211's use of SGF funds for STAR Bond repayment makes every Kansas taxpayer the guarantor of the program.**

Throughout the conversation between the Chiefs/Royals about STAR Bonds in 2024, many proponents claimed that Kansas taxpayers were not on the hook for STAR Bonds. While we disagree with that assertion, HB 2211's creation of a Food Sales Tax Revenue Replacement Fund using SGF revenues suggests a figurative rug pulled out from underneath Kansans.

HB 2211's income transfer and sales tax from Kansans, who may never interact with STAR Bonds to pay for the Bond, is problematic. It's a form of income redistribution that encourages higher tax rates and flushes tax revenue into a project with a spotty record and low ROI.

**STAR Bond program needs reform to be successful.**

For the STAR Bond program to succeed, significant reforms in transparency, economic goals, clawbacks, property rights protection, and local government finances must be implemented. Here are our recommendations for needed reforms.

*Narrows STAR Bonds to Out-of-State Tourism/Economic Investment and Strengthens Clawbacks*

- The governing municipality cannot approve STAR Bonds if their visitor expectation plan shows that 50% or more visitors reside in Kansas.
- Entities in a STAR Bond that fail to have over 50% visitors from out of state are then liable for 100% of the payments towards the STAR bonds issued to finance the project.

*Protecting Property Rights and Financing of Essential Local/State/Federal Government Services*

- The Secretary can only approve additional STAR Bonds not exceeding 25% of the project's total costs.

- Only 50% of the tax increment revenue shall go toward the repayment of special obligation bonds and STAR bonds.
- Disallows any state SGF or federal revenues to be used to pay off a STAR Bond.

**STAR Bonds shift tax burdens to the most vulnerable Kansans across the state while making it harder to make the state's tax climate uncompetitive.**

The STAR Bond project prolongs an unfair environment for Kansas businesses. A STAR Bond lowers the development cost for a few businesses by raising the costs for others. Every company in Kansas that is not in a STAR Bond effectively subsidizes its competition. Not only do Kansas businesses subsidize the development costs of their competition, but they also forfeit an advantage in recruiting employees, land, and capital.

STAR Bonds will also work to discriminate against small businesses and startups. Officials offer STAR Bonds to large firms with enormous development costs. So, newly created companies are left out of the running for funds. Startups and small firms play an integral role in the economic well-being of Kansans. The smaller and newer the firms that enter a market competing for an economic profit are, the cheaper the available goods and services. STAR Bonds risk slowing the Kansas economy as small and new businesses are unfair to older and larger firms with more resources and political clout.

Finally, STAR Bonds hinder the possibility of broad-based tax reduction. According to the 2023 STAR Bond Annual report, Kansas diverted ~\$80 million in state sales tax revenues to STAR Bonds' repayment.<sup>1</sup> **If Kansas never issued STAR Bonds in the first place, the Kansas sales tax rate today could be as low as 6.3%. If Kansas never issued STAR Bonds in the first place, local sales tax rates in Topeka, Wichita, Johnson County, Wyandotte County, Goddard, Garden City, Salina, Manhattan, Dodge City, and other cities would be 1 to 2 percentage points lower.** STAR Bonds impede the state and localities from providing taxpayer relief.

## STAR Bonds have coincided with Kansas falling farther behind the National Average than before STAR Bonds

Data from the U.S. Bureau of Economic Analysis details the selected gross domestic product, adjusted for Kansas's inflation and the national average.<sup>2</sup> We selected these economic activity categories.

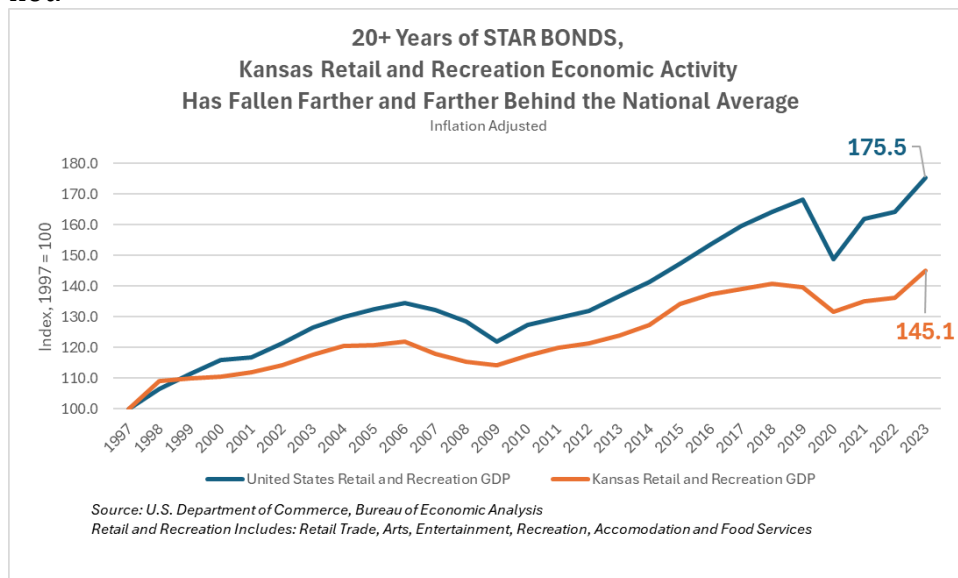
<sup>1</sup> Kansas Department of Commerce, *STAR BOND ANNUAL REPORT – 2023*, <https://www.kansascommerce.gov/wp-content/uploads/2024/02/2023-YE-STAR-Bonds-Annual-Report-FINAL.pdf>

<sup>2</sup> U.S. Bureau of Economic Analysis,  
[https://apps.bea.gov/itable/?ReqID=70&step=1&\\_gl=1\\*g4z1zp\\*\\_ga\\*MTk50TEyNDA5OS4xNZE4MzgXNzU3\\*\\_ga\\_j4698JNNFT\\*MTcxODM4MTc1Ni4xLjEuMTcxODM4MTc4MS4zNS4wLjA.#eyJhcHBpZCI6NzAsInN0ZXBzIjpjbMSwyOSwyNSwzMswyNiwYNywzMfOslmRhdGEiOiItbllRhYmxlSWQlLCI1MTtiXSxbIk1ham9yX0FyZWElLCIwIlOsWyJTdGF0ZSI5WyJwIl1dLFsiQXIjYSIsWyJwMDAwMCIsIjIwMDAwIl1dLFsiU3RhdGZldGljaXBiJm1IiwuNzUiXV0sWyJVbmI0X29mX21lYXN1cmUiLCJMZXZlbHMiXSxbIlllYXkiLFsiLTEiXV0sWyJZZWFyQmVnaW4iLCItMSIdLFsiWWVhcl9FbmOiLCItMSJdXX0=](https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*g4z1zp*_ga*MTk50TEyNDA5OS4xNZE4MzgXNzU3*_ga_j4698JNNFT*MTcxODM4MTc1Ni4xLjEuMTcxODM4MTc4MS4zNS4wLjA.#eyJhcHBpZCI6NzAsInN0ZXBzIjpjbMSwyOSwyNSwzMswyNiwYNywzMfOslmRhdGEiOiItbllRhYmxlSWQlLCI1MTtiXSxbIk1ham9yX0FyZWElLCIwIlOsWyJTdGF0ZSI5WyJwIl1dLFsiQXIjYSIsWyJwMDAwMCIsIjIwMDAwIl1dLFsiU3RhdGZldGljaXBiJm1IiwuNzUiXV0sWyJVbmI0X29mX21lYXN1cmUiLCJMZXZlbHMiXSxbIlllYXkiLFsiLTEiXV0sWyJZZWFyQmVnaW4iLCItMSIdLFsiWWVhcl9FbmOiLCItMSJdXX0=)

- Retail Trade Spending Activity
- Arts Spending Activity
- Entertainment Spending Activity
- Recreation Spending Activity
- Accommodation Spending Activity
- Food Service Spending Activity

These industries serve as the economic base for STAR Bonds. STAR Bonds aims to promote tourism and visitor spending to retail and entertainment outlets in Kansas. Under such a charge, for STAR Bonds to be considered successful, they should, at the very least, maintain retail and recreational spending on par with the national average. Because STAR Bonds are an economic development tool replicated by no other state, Kansas should have an advantage. It does not.

In fact, despite initially growing faster than the nation in the first few years, Kansas has fallen farther and farther behind the national average in retail and recreation economic activity. In other words, the 23 STAR BOND projects collectively did



not spur growth in the economic base faster than the average of the country. By 2023, the national average is 75% bigger in retail and recreation relative to 1997. Still, Kansas is only 45% bigger by the same metric. This is a 30-percentage point gap, and it is trending to widen. This data seems consistent with economic research studies that say Kansas STAR Bonds don't create new economic growth in the state but instead shift economic activity intra-state.

We encourage the Committee to reject SB197 without our recommendations and suggestions.