

February 25, 2025

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2211 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2211 is respectfully submitted to your committee.

HB 2211 would require the Secretary of Revenue to certify on July 15, 2025, to the Director of the Budget and the Director of Accounts and Reports at the Department of Administration the amount of revenue that would have been generated from sales of food and food ingredients in STAR bond districts if the state retail sales and compensating use tax rate remained at 6.5 percent for the months of January 2024 through April 2025. On or before July 25, 2025, the Director of Accounts and Reports would certify that amount to the State Treasurer who would transfer that amount from the State General Fund to the STAR Bonds Food Sales Tax Revenue Replacement Fund. On or before August 1, 2025, the State Treasurer would then make payments from the STAR Bonds Food Sales Tax Revenue Replacement Fund to the City Bond Finance Fund that would be used to make STAR bond payments. The bill would also setup similar certifications and procedures to make monthly transfers from the State General Fund to the STAR Bonds Food Sales Tax Revenue Replacement Fund and monthly payments from the STAR Bonds Food Sales Tax Revenue Replacement Fund to the City Bond Finance Fund that would be used to make STAR bond payments. The first monthly transfer in July 2025 would include the amount of revenue that would have been generated from sales of food and food ingredients in STAR bond districts if the state retail sales and compensating use tax rate remained at 6.5 percent for the month May 2025. For STAR bond districts established with a base year before December 31, 2022, the bill allows for an adjustment to be added to the tax increment with the amount of state sales and use tax revenue that would have been derived from the sale of food and food ingredients within the district. These provisions would hold STAR bond districts harmless from the elimination of the state sales tax on food and food ingredients and would not apply to STAR bond project districts established after July 1, 2022.

The Department of Revenue estimates that HB 2211 would decrease State General Fund revenues by authorizing transfers that total \$15.9 million from the State General Fund to the STAR

Bonds Food Sales Tax Revenue Replacement Fund in FY 2026. The FY 2026 amount includes the transfer associated with the months of January 2024 through April 2025, and monthly transfers going forward beginning in July 2025. The fiscal effect to state revenues during subsequent years would be as follows:

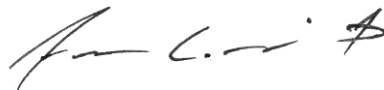
	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
State General Fund	(\$8,200,000)	(\$8,200,000)	(\$8,300,000)	(\$8,400,000)

To formulate these estimates on holding STAR bond districts harmless from the elimination of the state sales tax on food and food ingredients, the Department of Revenue reviewed sales tax collections data from STAR bond districts. For tax year 2023, the Legislature held STAR bond districts harmless from the reduction of state sales tax rate on food and food ingredients by providing nearly \$2.9 million to these districts to help pay off STAR bonds. The Department of Revenue indicates that the administrative costs associated with implementing this provision of bill, including the monthly certifications of the amount of revenue that would have been generated from sales of food and food ingredients in STAR bond districts if the state retail sales and compensating use tax rate remained at 6.5 percent, would be negligible and could be absorbed within existing resources.

The Office of the State Treasurer indicates that the administrative costs associated with implementing the bill, including the modification of its accounting procedures, would be negligible and could be absorbed within existing resources. The bill would increase expenditures from its STAR Bonds Food Sales Tax Revenue Replacement Fund to the City Bond Finance Fund by \$15.9 million in FY 2026 and by \$8.2 million in FY 2027. Any fiscal effect associated with HB 2211 is not reflected in *The FY 2026 Governor's Budget Report*.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that holding STAR bond districts harmless from the elimination of the state sales tax on food and food ingredients would provide additional revenues to help pay off STAR bonds and could aid in the financial success and viability of existing STAR bond projects.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
John Hedges, Office of the State Treasurer
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties
Sherry Rentfro, Department of Commerce