



Chairs Tarwater and Erickson, and Members of the Committee,

On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony in opposition to the Chiefs & Royals STAR BOND bill. We hold the following positions on the Chiefs & Royals STAR BOND bill. We hold the following positions on the STAR BOND bill.

1. STAR BONDS shifts tax burdens to the most vulnerable Kansans across the state, while making it harder to make the state's tax climate uncompetitive.
2. The STAR BOND bill is a failure of transparency and comprehensive public consideration.
3. STAR BONDS have coincided with Kansas falling farther behind the National Average than before STAR BONDS
4. STAR BONDS fail to address the lack of a true cost/benefit analysis
5. If a STAR BOND district includes more than the football/baseball stadium, it will divert economic activity and damage small business activity outside of the STAR BOND district.

**STAR BONDS shifts 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 cost of development 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 wellbeing 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 risks 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 hinders 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, 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 1 to 2 percentage points lower.** STAR BONDS impedes the state and localities from providing taxpayer relief.

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<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>

As of writing this testimony a bill amending the STAR BOND statute has not been made available to the public. The rushed process of bill consideration limits the amount of testimony, proper vetting of bill language, and consideration by lawmakers of unintended language. Hearing such a large and transformative bill in a single special session set a precedent that lawmakers don't want to hear from their constituents or gather as much impartial information possible before deciding. There's a proper way for lawmakers to consider ways to entice the Chiefs and Royals to Kansas. The way seen in the last week and a half is the wrong path.

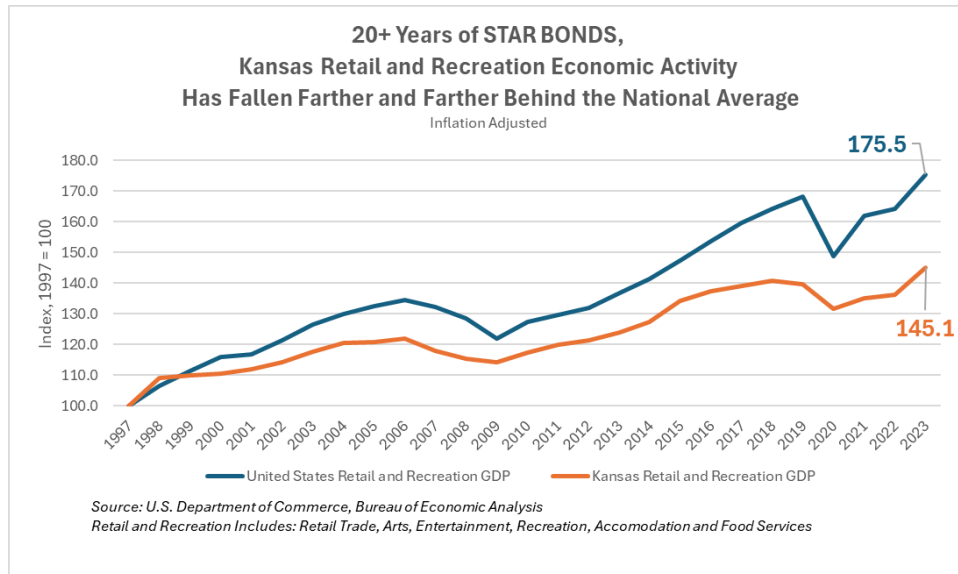
Data from the U.S. Bureau of Economic Analysis detail selected gross domestic product, adjusted for inflation for Kansas and the national average.<sup>2</sup> We selected these economic activity categories.

- These industries serve as the economic base for STAR Bonds. STAR Bonds' goal is 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.

<sup>2</sup> U.S. Bureau of Economic Analysis,  
[https://apps.bea.gov/itable/?ReqID=70&step=1&\\_gl=1\\*g4z1zp\\*\\_ga\\*MTk50TEyNDA50S4xNzE4MzgXNzU3\\*\\_ga\\_l4698JNNFT\\*MTcxODM4MTC1Ni4xLjEuMTcxODM4MTC4MS4zNS4wLjA.eyJhcHBpZCI6NzAsInN0ZXBlZjlpbMSwyOSwyNSwzMSwyNiwyNywzMf0sImRhdGEiOiIltbIlRhYmxlSWQiLCI1MTIiXSxbIk1ham9yX0FyZWElLCIwIl0sWyJTdGF0ZSI5WyJwIl1dLFsiQXJlYSIsWyJwMDAwMCI5LjIwMDAwIl1dLFsiU3RhZGlzdGljIjxibjM1Iiw1NzU1X0V0sWyJvbm10X29mX21lYXN1cmUiLCJmZXZlbnHM1XSxbIlllYXJlLFsiLTEiX0V0sWyJZZWFyQmVnaW4iLCItMSJdLFsiWWVhcl9FbmOiLCItMSJdXX0=](https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*g4z1zp*_ga*MTk50TEyNDA50S4xNzE4MzgXNzU3*_ga_l4698JNNFT*MTcxODM4MTC1Ni4xLjEuMTcxODM4MTC4MS4zNS4wLjA.eyJhcHBpZCI6NzAsInN0ZXBlZjlpbMSwyOSwyNSwzMSwyNiwyNywzMf0sImRhdGEiOiIltbIlRhYmxlSWQiLCI1MTIiXSxbIk1ham9yX0FyZWElLCIwIl0sWyJTdGF0ZSI5WyJwIl1dLFsiQXJlYSIsWyJwMDAwMCI5LjIwMDAwIl1dLFsiU3RhZGlzdGljIjxibjM1Iiw1NzU1X0V0sWyJvbm10X29mX21lYXN1cmUiLCJmZXZlbnHM1XSxbIlllYXJlLFsiLTEiX0V0sWyJZZWFyQmVnaW4iLCItMSJdLFsiWWVhcl9FbmOiLCItMSJdXX0=)

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 a growth in the economic base faster than the average of the country. By 2023, the national average 75% bigger in retail and recreation relative to 1997, but 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 rather shifts economic activity intra-state.



### STAR BONDS fail to address the lack of a true cost/benefit analysis

In the private sector, before a firm undertakes a particular investment, the firm conducts a cost/benefit analysis to assess potential profits. This analysis entails

1. Subtracting economic costs from the potential revenue of the project
2. Comparing the results in "1" to the alternative use of the same costs.

If the economic profits from the investment outweigh all other alternative uses of the same resources, then the firm takes the project. STAR BOND economic impact studies, fail to measure alternative uses of resources and ignore adverse multiplier effects.<sup>34</sup>

As an example, a STAR Bond for retail development may garner an increase in employment from local construction firms or other retail. However, they do not consider the hypothetical spending that would have occurred had that the resources for the STAR Bond stayed in the hands of taxpayers or the government. Also, the economic impact studies cannot tell us anything about whether the STAR Bond use of resources creates a higher value than the use of resources without STAR Bonds.

<sup>3</sup> David Tuerck, Ryan Murphy, and Paul Bachman, *Peer Review of "The Economic Utility Portfolio and Rate Impact of clean energy Development in North Carolina"*, <https://www.johnlocke.org/app/uploads/2016/06/RTIPeerReview20130401A.pdf>

<sup>4</sup> Frederic Bastiat, *What Is Seen and What is Not Seen*, <https://admin.fee.org/files/doclib/bastiat0601.pdf>

**If a STAR BOND district includes more than the football/baseball stadium, it will divert economic activity and damage small business activity outside of the STAR BOND district.**

If a STAR BOND district is drawn to only include the stadium and all sales within a stadium, one could make the case the sales activity in that STAR BOND would be unique, as before the stadium there was never any major football/baseball spending before. However, STAR BONDS have never included just the target of development but also surrounding commerce areas. If that's the case, a Legislative Post Audit Study has found STAR BONDS for commerce areas drain commerce and small business sales from surrounding counties not in the STAR BOND.

A 2008 audit conducted by the Legislative Post Audit found that after the opening of the Nebraska Furniture Mart in the Village West STAR BOND, a third of existing furniture stores within a 150-mile radius closed.<sup>5</sup>

While business openings and closures happen constantly in the private market, these business closures happened at the behest of government picking winners and losers. Moreover, this shows economic activity shifted to a STAR BOND where no sales tax revenue is remitted to the state and local government.

STAR BONDS hurt both entrepreneurship, and government finances.

For these reasons, we encourage the Committee to reject Chiefs/Royals STAR BOND and thank the members for their consideration.

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<sup>5</sup> Kansas Legislative Division of Post Audit,  
[http://www.kslegislature.org/postaudit/audits\\_perform/08pa06.pdf](http://www.kslegislature.org/postaudit/audits_perform/08pa06.pdf)