

February 16, 2023

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2387 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2387 is respectfully submitted to your committee.

HB 2387 would require the Secretary of Revenue to certify on March 15, 2024, and each 15th day of each month thereafter, 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. The Director of Accounts and Reports would certify that amount to the State Treasurer on March 25, 2024, and each 15th day of each month thereafter, who would transfer that amount from the State General Fund to the STAR Bonds Food Sales Tax Revenue Replacement Fund on April 1, 2024, and each 1st day of each month thereafter. 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. This provision that would hold STAR bond districts harmless from the phase out and eventual elimination of the state sales tax on food and food ingredients. This procedure would not apply to STAR bond project districts established after December 1, 2022.

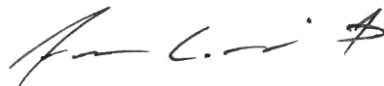
The bill would add major amusement park areas as eligible for STAR bonds projects. The bill defines a major amusement park as facility containing rides and attractions that may include restaurants, retail establishments, hotels, and motels with capital improvements of not less than \$100.0 million. The bill specifies that the annual STAR bond report to the Legislature will be submitted before March 31 of each year and make other technical corrections.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$1,400,000)	(\$1,400,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2387 would reduce State General Fund revenues by \$1.4 million in FY 2024, \$11.6 million in FY 2025, and \$15.4 million in FY 2026. The bill would increase the State General Fund transfer to the STAR Bonds Food Sales Tax Revenue Replacement Fund by \$1.4 million in FY 2024, from \$7.0 million to \$8.4 million. Language that holds STAR bond districts harmless from the phase out of the state sales tax on food and food ingredients was approved in last year’s Omnibus appropriations bill (2022 HB 2510). 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 \$1.4 million in FY 2024. The League of Kansas Municipalities indicates that this provision would provide additional revenues to help pay off STAR bonds and could aid in the financial success and viability of existing STAR bond projects.

The Department of Revenue would be required to calculate and report 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. The Department indicates that these costs are estimated to be negligible and could be absorbed within existing resources. Allowing major amusement park areas as eligible for STAR bonds project has an unknown fiscal effect. The fiscal effect associated with HB 2387 is partially reflected in *The FY 2024 Governor’s Budget Report*. The tax policy recommended by the Governor includes reducing the state sales tax rate to 0.0 percent on the sales of food and food ingredients on April 1, 2023, which would require additional transfer amounts from the State General Fund to hold STAR bond districts harmless.

Sincerely,



Adam Proffitt
Director of the Budget

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