

SESSION OF 2023

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2387

As Amended by House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2387, as amended, would amend law related to Sales Tax and Revenue (STAR) bonds. The bill would provide for state revenue to replace lost sales tax proceeds attributable to reductions in the state sales tax rate on food, expand eligible uses of STAR bonds to historic theaters and major amusement parks, extend the deadline for the submission of the annual STAR bonds report, and increase the amount of project costs that may be financed in certain rural redevelopment projects without the issuance of special obligation bonds.

Food Sales Tax Replacement Revenue

The bill would create the STAR Bonds Food Sales Tax Revenue Replacement Fund (Fund) and provide for transfers to the Fund from the State General Fund (SGF).

Transfers would commence on April 1, 2024, and the amounts of such transfers would be determined by the Secretary of Revenue certifying, for each STAR Bond Project District established prior to December 31, 2022, the amount of sales tax that would have been generated on the sales of food and food ingredients if the tax rate on such sales had been 6.5 percent.

The State Treasurer would be directed to pay the amount attributable to each STAR bond project district to the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

appropriate finance, debt service, or reserve fund associated with the district.

Transfers and payments to each district would cease upon the satisfaction of all principal and interest attributable to bonds issued prior to December 31, 2022.

For STAR bond project districts established after December 31, 2022, the base year revenue for the district would be defined to not include revenue resulting from state sales and use tax on the sale of food and food ingredients.

Historic Theaters and Major Amusement Parks

The bill would expand the permissible uses for STAR bonds to include historic theaters and major amusement parks. Permissible project costs for historic theaters would include costs connected to construction or renovation of historic theaters, and permissible project costs for major amusement parks would include costs connected to the construction or purchase of amusement rides, including rides within a building or buildings.

Major amusement parks would be defined as facilities containing amusement rides, including rides within a building or buildings, and with capital improvements of at least \$100.0 million in the state.

STAR Bond Report Deadline

The bill would change the date for which the annual STAR Bond report to the Senate Committee on Commerce and House Committee on Commerce, Labor and Economic Development from January 31 to March 31.

Rural Redevelopment Project Cost Financing Increase

The bill would increase the maximum amount of financing for rural redevelopment projects under the STAR Bond Program without the issuance of special revenue bonds from \$10.0 million per project to \$25.0 million per project.

Background

The bill was introduced by the House Committee on Commerce, Labor and Economic Development at the request of a representative of the Department of Commerce.

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by representatives of the Department of Commerce, City of Derby, Hutfles & Associates Public Relations, and League of Kansas Municipalities. The proponents generally stated the bill would ensure STAR bondholders are held harmless from food sales tax rate reductions, expand the allowable uses of STAR bonds to make the program applicable to more projects, and make the annual report of the program more useful by allowing it to contain full calendar year information for the preceding year.

Written-only proponent testimony was provided by a representative of the City of Wichita.

Written-only opponent testimony was provided by a representative of Americans for Prosperity-Kansas.

No other testimony was provided.

The House Committee amended the bill to make technical changes to the replacement of revenue associated with food sales tax rate reductions, modify the use of STAR

bond proceeds on amusement parks, and increase the amount of financing that may be utilized without the issuance of special obligation bonds.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill would increase the transfer amount from the State General Fund to the STAR Bonds Food Sales Tax Revenue Replacement Fund by \$1.4 million in FY 2024 and would provide for transfers of \$11.6 million in FY 2025 and \$15.4 million in FY 2026. The fiscal effect associated with the bill is partially reflected in *The FY 2024 Governor's Budget Report*, which includes transfers to the fund in a greater amount attributable to the proposed acceleration of food sales tax rate reductions.

STAR Bonds; food sales tax revenue replacement; amusement parks; historic theaters; report deadline