

STAR Bonds

Testimony on SB 434

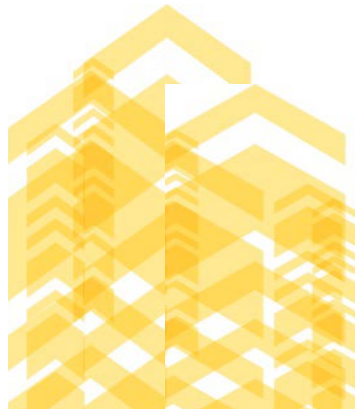
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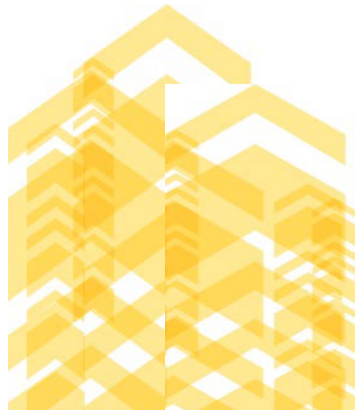
Positives in the Bill

- Limitations on piggybacking
- Limitations on retail
 - As I said in earlier testimony, retail most usually does NOT generate new economic benefits, with the exception of retail areas that draw people from outside an area
- Attempt to define tourist attraction
- Limitations on state sales taxes pledged for debt service/project related costs



Things to Consider

- Attempt to define tourist attraction is probably not sufficient
- “Capture” provision added
- Still need to work on the Economic Impact Analysis provision
- Reporting requirement but no systematic evaluation



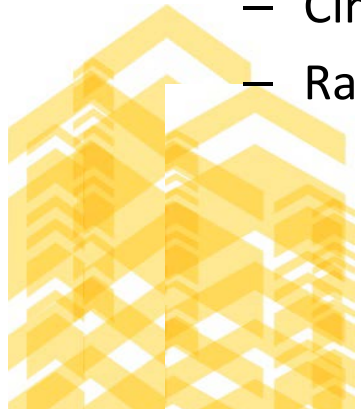
Tourist Attraction Definition

- Statewide cost through sales tax allocation
- As written, the bill still allows for improvements where 70-80% of users are within the state
 - So the project from an economic perspective is mostly transfer effects
 - “Picking winners”
- Size distinction makes no sense with state funds pledged



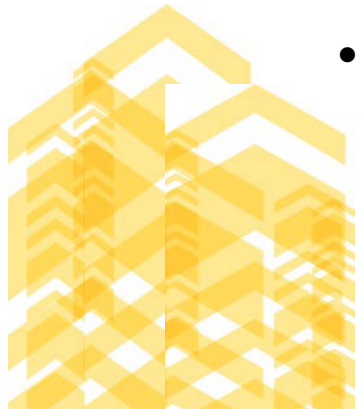
Capture Provision

- 12-169(a)(1)(F)(ii)
- Establish district then use new businesses to capture increment
- Opens door for “side payments”
- Needs to be evidence to support the claim that the new businesses came due to the public investment
- Example:
 - Circle Center Mall in Indianapolis
 - Ralston Arena in Omaha



Economic Impact Analysis

- As defined in the existing statute and proposed bill, it is a Financial/Fiscal Impact Analysis
- Financial analysis currently included in the laws of 32 states
- NOT a full economic impact analysis (only 7 states)
 - Examples
 - Costs – opportunity costs
 - Benefits – economic benefits not directly realized in financial terms



Systematic Evaluation

- Current statutes and the proposed bill do put analysis up front
- Reporting on the back end (almost every state does this)
- However, there is a need for systematic evaluation of large public investments (period)
 - Did they meet their goals?
 - Do they need to be continued?
- Example:
 - Illinois – evaluation/new public hearing after 10 years

