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Kansas Lawmakers Giving STAR Bonds, Economic Incentives, A Hard Look.

Kansas lawmakers, increasingly skeptical that tax breaks deliver economic wins, looked closely this week at economic incentive programs.

Senators on the Commerce Committee spent several days discussing bills that would add new requirements to sales tax revenue bonds, known as STAR bonds.

STAR bonds allow local governments to borrow money for a building project, and tax collections created by the development are diverted to pay off the loans.

The Topeka Capital-Journal reported last year that more than $500 million in tax revenue had been used to pay back the bonds since 2001.

One bill would create a panel to study the proposals, including the state's return on the investment, before approving the projects.

The secretary of commerce currently approves STAR bonds. Republican Sen. Julia Lynn, who heads the Senate Commerce Committee, wants more oversight.

"To make a decision on whether to use millions of dollars in taxpayer funds to go to a development project," Lynn said, "there's just nothing in place."

Another bill before senators would restrict the types of projects eligible for STAR bonds. It would allow tourist attractions but put new restrictions on retail developments. Some lawmakers have said shopping centers should be financed by private developers, not state incentives.

Olathe City Manager Michael Wilkes urged lawmakers not to block retail developments.

"From a practical application, (that) really kills your project," he said. "Those kind of things are the only things that generate enough revenue that really make the project worthwhile."

He said large stores such as Cabela's or Nebraska Furniture Mart in Wyandotte County can be critical to an overall development package that works.

Johnson County resident Clint Anderson is a financial advisor with experience in commercial banking and real estate. He told senators that he's opposed to projects, including a soccer stadium and training facility in Kansas City, Kansas, being subsidized with public bonds.

He said there's no shortage of private funding available.

"If there's a good idea that's operationally and economically feasible, there's capital for it," Anderson said. "It shouldn't be paid for by the taxpayers."

Trey Cocking, deputy director of the Kansas League of Municipalities, said that won't always be the

case. He used the example of a project being developed in Atchison that would include an aviation museum and updates to the city farmer's market.

"These aren't projects that the private market's going to do, because there are public components to these projects," he said. "There are public goods to these projects."

Amanda Stanley, general counsel for the municipal league, said it's easy to look back at successful STAR bond projects and assume they would have attracted private investment. Bu she said that's not a guarantee.

"At what point would it have developed? How long is the state willing to wait?" she asked. "There are sometimes projects that just need that push start."

House members also dove into the issue of state tax incentives, advancing a bill Thursday that would make more information publicly available on local and state incentives, including STAR bonds.

It would require state officials to compile and publish information about tax incentives and whether each of the incentive programs is producing a positive return on investment.

Democratic Rep. John Carmichael said the bill will help lawmakers next session as they evaluate whether incentive programs need to be modified.

"We need to know how much these tax benefits are costing the state of Kansas," he said. "Our constituents not only need to know it, they want to know it."

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