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Kansas Cities Unlikely to Find Shortcut to Fast Growth Through STAR Bonds.

Kansas's urban areas are the only part of the state that is growing in population; the results from the 2020 Census make that clear. Despite its own self-conception as part of the heartland of America, the Sunflower State is, increasingly, a pretty "citified" place.

This dynamic — a slowly growing and diversifying urban population within a state whose political elites still mostly embrace the values of rural conservatism — can explain a lot. It helps explain the persistence of an inferiority complex in many Kansas cities, with the people of Wichita or Kansas City, Kan., looking south or east, comparing themselves to cities in other states that aren't as defined by the counties of red that surround them.

It may also help explain the push by these cities and their elected representatives to make use of whatever financing they can to change, innovate and most of all expand. And this is what leads us to STAR bonds.

Sales Tax and Revenue (STAR) bonds are a strange financial instrument. Only two other states — Illinois and Nevada — have allowed their creation, and even they haven't made use of this fiscal slight of hand for over a decade.

In Kansas, however, urban governments have regularly sought permission to sacrifice the sales tax revenue that ought to go to Kansas's state and municipal programs in order to raise funds for construction which they imagine will bring major corporate attractions to Kansas.

The Prairie Fire Entertainment District in Overland Park, the Sports Forum in Wichita, the Heartland Park Racetrack in Topeka — STAR bonds made them all.

But did it make them actually successful? A recent accounting of STAR bond programs concluded that only 3 of the 16 projects which the state has approved, at a cost of nearly \$900 million in tax revenue, actually meet the economic requirements of the instrument. The auditors found little evidence of these projects drawing new tourism dollars to Kansas, and even less evidence that using these bonds to finance construction has led to economic development in areas that weren't good candidates for ordinary capital investment anyway.

Defenders of the STAR program point to, among other things, the increased property tax values of the developed areas (though the unfunded maintenance liabilities these developments have brought with them usually goes unmentioned).

Often, though, the defenders fall back on a plaintive cry unfortunately common in the urban parts of Kansas: Business expansion is essential to the "general economic welfare" of the state. If we're not willing to sacrifice the sales tax revenue normally used to fund voter-approved (and universal, rather than city-centric) government programs for the sake of attracting a new Topgolf franchise to Wichita or building a new speedway in Kansas City, then aren't we showing a lack of confidence in our future?

These are complicated decisions, to be sure.

But still I wonder if urban Kansans sometimes exhibit a “build it and they will come” mentality, in the somewhat desperate hope that they can suddenly change into something other than slow-growth cities on the Great Plains.

If that is so, I would simply say: The work of making Kansas’s culture and economy reflect its increasing urban reality will be a long and necessarily local one. Using needed future tax revenue to build a new waterpark may have its merits, but such top-down decisions are unlikely to provide a shortcut.

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