

State of Kansas
House of Representatives

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Kristey S. Williams
Representative, 77th District

PROPONENT TESTIMONY for HB 2304

March 10, 2025

Dear Chair Erickson and Committee Members:

Each year, Kansas taxpayers are on the hook for over a billion dollars in economic development incentives paid out in the form of unpaid property, income, and sales tax. These incentives go to a relatively small number of recipients in comparison to the total number of Kansas income tax filers. As such, economic incentives have a significant fiscal impact, reducing our ability for substantial tax relief – especially property tax. State income tax credits, discretionary State sales tax exemptions (billions more when considering all sales tax exemptions), payroll deductions, Star Bond districts cashing in on sales taxes, and local property tax abatements have a compounding effect of narrowing our tax base and increasing our tax rate on Kansans. The compounding effect has never been fully disclosed to the Legislature and has not required reporting. This bill would remedy the gap in transparency that currently faces policymakers with the goal of creating more accountability, transparency, and knowledge for local and state elected leaders. The more we know, the more opportunity we will have to make smart and strategic policy.

Economic development incentives, excluding those which are domestic or social, should be subject to taxpayer and lawmaker scrutiny. If the incentive is valuable and brings economic gains to our State, those incentive expenditures will be both defensible and transparent all at the same time. A win-win situation. Without question, accountability is necessary when billions are being expended while at the same time State and Local governments are spending more, not less, money. Therefore, the losses in revenue given away in economic incentives are inadvertently picked up by every other taxpayer in the State of Kansas. Nothing is free. Every dollar we give back to our constituents to invest or spend **ALSO** brings a return on investment. It is incumbent upon us to give our taxpayers the opportunity to retain their earnings through a genuine effort to rein in spending, giveaways, and unnecessary taxation and regulation. When you hear that a program gives X number of dollars return on investment – great! I'd bet, for the majority of our programs, certainly not all, that a better return on investment would be had by giving the very people who earned the money the opportunity to invest, spend, and save their own money. That's all most would ask – let me help myself rather than the government attempting to do that for them. Essentially, we give away their money in exchange for what we will believe is economic growth. The last time I checked, Kansas is static in population growth and has a GDP with lower growth rates than the Nation's average. So, what is that ROI, again?

In a recent Post audit, the *High Performance Incentive Program* awarded more than \$3 billion in credits between 2017-2020. Currently, the total amount available to awardees is unknown since the credits may be used over a 16-year period. The transparency database does not list individual recipients but provides the total amount offered and claimed for FY 2020 and 2021 and has not been updated for years 2022 and 2023. The totals provided are as follows:

FY 2020 - Amt offered \$76.9 million - Amt claimed \$76.9 million

FY 2021 - Amt offered \$47.8. million - Amt claimed \$47.8

The website does share the total amount of capital investment; however, there is no way to calculate the return on investment for each incentive. After five years of the economic database transparency becoming law - the site, though much improved, still lacks statutory data. In this example, the bill improves the requirements by adding the condition that any recipient of economic development incentives shall agree to provide all information required by this Act. For recipients of incentives, the Department may require an annual transparency database cost of up to \$1,000 or 1% of the award annually which funds the fiscal note. This bill also adds local incentives to the database so the public could evaluate the total impact of layering incentives from state and local (though the site does have some federal). The bill also includes the requirement for total expenditures and reporting annually both on the site and to the Legislature.

Ultimately, this bill makes necessary updates to the transparency database which passed in 2019 to improve transparency and understanding with the ultimate goal of encouraging better policy decisions and greater accountability. I hope you'll join me in supporting HB 2304.

Gratefully,



Rep. Kristey Williams

House Majority Caucus Chair

Vice Chair Appropriations

Chair of the Select Committee on Government Oversight