



KANSAS
ASSOCIATION OF
COUNTIES

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Testimony to the House Taxation Committee
on SB 146
May 10, 2017

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify in opposition to the amended version of SB 146. This bill began as a bill to reauthorize the 20-mill levy for public education. We have no issues with the original bill and understand that the legislature and educational advocates will find it necessary to reauthorize the 20-mill levy for education. Our only concern is the Senate committee amendment. We are opposed to the bill as written with that particular amendment; removal of it will remove our opposition.

The Senate committee amended the bill to eliminate the 20 mills from the IRB and EDX tax exemptions that local governments can offer for the purposes of economic development. Local governments use these tax abatements to incentivize business to locate within their community. A promise is made to abate taxes in return for a business starting or expanding its business in the county, with the promise for future revenues that exceed those given up at the beginning of the relationship.

As amended, the bill requires that local government do all the heavy lifting and sacrificing in order to entice economic development. The State has no skin in the game under the current version of the bill. We do not believe local government should be the only entity sacrificing its tax revenues in order to drive economic development in the state, as the State benefits from economic development too. The State should also consider whether locals will continue to make offerings if only their revenues are at risk.

Issuing industrial revenue bonds or economic development exemptions involves a detailed process to safeguard both the state and local governments' interest. The process requires a cost-benefit analysis, including the effects on state revenues. A public hearing is required to get public input. The appraiser provides his or her input as well, and the Board of Tax Appeals decides whether to issue the exemption.

I have attached two cost-benefit analyses from a member county, which show the analysis that goes into the decision to abate taxes in order to promote economic development. In each of these examples, the State is getting a return of over \$30 per \$1 invested in the program.

We would appreciate the committee returning the bill to its original form before passage. I am happy to stand for questions.

Melissa Wangemann, General Counsel

Summary of Costs and Benefits for all Taxing Units

Benefits:

	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Corporate and Personal Income Taxes	Additional School Funding	Other Revenues	Total Benefits
City:	\$0	\$0	\$0			\$0	\$0
County: Finney	\$20,505	\$235,698				\$2,048	\$258,251
S. D: U.S.D. 457 (Garde		\$134,551			\$0		\$134,551
S. D: None		\$0			\$0		\$0
Garden City Community		\$121,760				\$1,856	\$123,616
None		\$0				\$0	\$0
State of Kansas	\$129,805	\$124,665		\$493,989		\$9,883	\$758,342

Costs, Incentives and Taxes Abated:

	Costs of Services for the Firm and New Residents	Costs of Educating New Students	Taxes Abated	Incentives	Total Costs, Incentives and Taxes Abated
City:	\$0		\$0	\$0	\$0
County: Finney	\$153		\$47,140	\$0	\$47,292
S. D: U.S.D. 457 (Garde		\$0	\$26,910		\$26,910
S. D: None		\$0			\$0
Garden City Community	\$815		\$24,352		\$25,168
None	\$0		\$0		\$0
State of Kansas	\$4,069	\$0	\$24,933	\$0	\$29,002

Net Benefits:

	Total Benefits	Total Costs Incentives and Taxes Abated	Net Benefits
City:	\$0	\$0	\$0
County: Finney	\$258,251	\$47,292	\$210,958
S. D: U.S.D. 457 (Garde	\$134,551	\$26,910	\$107,641
S. D: None	\$0	\$0	\$0
Garden City Community	\$123,616	\$25,168	\$98,448
None	\$0	\$0	\$0
State of Kansas	\$758,342	\$29,002	\$729,340

Other:

	Present Value of Net Benefits to be Received Over the next 10 Years	Present Value of Incentives and Taxes Abated Over the next 10 Years	Payback Period for Incentives and Taxes Abated	Rate of Return over the next 10 years on Investment of Incentives and Taxes Abated	Cost-Benefit Ratio
City:	\$0	\$0	N/A	0.00%	0.00
County: Finney	\$160,619	\$35,029	2 Years	458.53%	4.59
S. D: U.S.D. 457 (Garde	\$79,997	\$20,000	3 Years	399.98%	4.00
S. D: None	\$0				
Garden City Community	\$73,086	\$18,099	3 Years	403.82%	4.04
None	\$0	\$0	N/A	0.00%	0.00
State of Kansas	\$599,008	\$18,525	During construction period.	3233.51%	32.34

Summary of Costs and Benefits for all Taxing Units

Benefits:

	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Corporate and Personal Income Taxes	Additional School Funding	Other Revenues	Total Benefits
City:	\$0	\$0	\$0			\$0	\$0
County: Finney	\$477,266	\$1,363,227				\$697,189	\$2,537,683
S. D: U.S.D. 457 (Garde		\$765,771			\$4,018,037		\$4,783,807
S. D: None		\$0			\$0		\$0
Garden City Community		\$690,413				\$469,261	\$1,159,674
None		\$0				\$0	\$0
State of Kansas	\$3,108,607	\$716,966		\$6,888,106		\$3,148,163	\$13,861,841

Costs, Incentives and Taxes Abated:

	Costs of Services for the Firm and New Residents	Costs of Educating New Students	Taxes Abated	Incentives	Total Costs, Incentives and Taxes Abated
City:	\$0		\$0	\$0	\$0
County: Finney	\$51,979		\$518,536	\$0	\$570,515
S. D: U.S.D. 457 (Garde		\$8,335,476	\$296,013		\$8,631,489
S. D: None		\$0			\$0
Garden City Community	\$206,207		\$267,872		\$474,080
None	\$0		\$0		\$0
State of Kansas	\$1,296,699	\$3,041,146	\$274,263	\$0	\$4,612,108

Net Benefits:

	Total Benefits	Total Costs Incentives and Taxes Abated	Net Benefits
City:	\$0	\$0	\$0
County: Finney	\$2,537,683	\$570,515	\$1,967,167
S. D: U.S.D. 457 (Garde	\$4,783,807	\$8,631,489	(\$3,847,682)
S. D: None	\$0	\$0	\$0
Garden City Community	\$1,159,674	\$474,080	\$685,594
None	\$0	\$0	\$0
State of Kansas	\$13,861,841	\$4,612,108	\$9,249,733

Other:

	Present Value of Net Benefits to be Received Over the next 10 Years	Present Value of Incentives and Taxes Abated Over the next 10 Years	Payback Period for Incentives and Taxes Abated	Rate of Return over the next 10 years on Investment of Incentives and Taxes Abated	Cost-Benefit Ratio
City:	\$0	\$0	N/A	0.00%	0.00
County: Finney	\$1,448,629	\$385,377	3 Years	375.90%	3.76
S. D: U.S.D. 457 (Garde	(\$2,760,368)	\$220,000	More than 10 years.	0.00%	0.00
S. D: None	\$0				
Garden City Community	\$502,208	\$199,086	5 Years	252.26%	2.52
None	\$0	\$0	N/A	0.00%	0.00
State of Kansas	\$6,780,541	\$203,832	During construction period.	3326.53%	33.27