

State of Kansas
House of Representatives

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Proponent Testimony: *HB 2572, Kansas Taxpayer Transparency Act Testimony*

Chairman Johnson and Members of the Committee:

Disclosure is the most fundamental reform in the realm of taxpayer transparency. Disclosure, in the context of HB 2572, means the required digital accessibility and accuracy of nine key economic incentives.

Making key economic incentive data readily and easily available should be among our first steps in our continued progress toward a more open and taxpayer-focused government. Making sure the public knows *how their tax dollars are used, where they are used, and by whom they are used* is a fundamental right of the people who fund the incentives – the Kansas taxpayer.

In 2008, Kansas made strides down this pathway with the passage of the *Kansas Taxpayer Transparency Act*; however, this act did not include one very important requirement – economic incentive data. Though the Kansas portal providing data subject to the Kansas Taxpayer Transparency Act (KTTA) *does* provide some incentive data – it’s far from what is necessary to provide easily accessible data to the public.

In 2010, a watchdog organization called *Good Jobs First*, an organization often cited by *Governing Magazine*, published a study entitled “*Show Us the Subsidies: An Evaluation of State Government Online Disclosure of Economic Development Subsidies.*” Within this study, a well-defined methodology incorporated a review of 245 programs and included 3,675 separate scoring elements for the analysis and rating of all 50 states. From this study, Kansas received a **F rating**.

Seven years later, Kansas remains in the ‘trailing’ tier when ranked by other studies while neighboring states continue to make annual progress in the realm of transparency of economic incentive data. The *Tennessee Center for Economic Research (CERT)* published a 2017 report

comparing and rating all 50 states on their transparency of economic incentive data. Within this study, Kansas was ranked in the lowest tier with 11 other states including Arkansas, Mississippi, and Oklahoma. Interesting, Oklahoma is actually making much greater progress than where Kansas is today. From the CERT study, leading states include Ohio, Iowa, Indiana, and nine other states. Neighboring states Missouri and Colorado fall within Transparency Tier 2, with Nebraska falling in the third.

This first step, disclosure, is crucial as we move forward with better practices, policies, and evaluation that will strengthen the Kansas economy by helping us better allocate resources to the programs that work, the projects that meet their target goals, and the efforts and energies our agencies expend on practices that establish Kansas in a position of competitive strength.

IF we fail to understand and know what incentives are active and available, and fail to EVALUATE those incentives, we *WEAKEN* our State's competitiveness not strengthen.

As legislators, considering the progression of economic incentive accountability, step-by-step, will help us work toward the maintenance and expansion of successful programs that truly enhance the growth of our State. At the appropriate time, I am hopeful we will consider these, or other, possible steps to increase accountability and to improve our current practices related to economic incentives:

Step 1: Transparency of economic incentives through mandated disclosure: Update *KanView* with current, accurate, up-to-date, accessible, and relevant economic development incentive data searchable by county, business, and program

Step 2: Aggregate of data, including total costs and benefits, by industry, by county and by incentive

Step 3: Development of criteria and metrics for measurement & Schedule of audits of incentives (Pew Charitable Trust Study, 2017)

Step 4: Implementation and requirement of Annual Reports of Economic Incentives to the Governor and Legislature by program

Step 5: Refinement of incentive data: project and business incentive geographic maps, interactive websites, more accessible data, format upgrades, marketing/promoting of Kansas incentives that work in an easy to read, eye-catching format

Step 6: Constant re-evaluation of process and incentives in the context of ever-changing Kansas economy – ***includes HB 2572's formation of the Taxpayer Transparency Joint Committee***

What does HB 2572 do?

- 1) Includes the requirement* of 9 top economic development incentive data to be provided on the existing KanView website (listed in order of how found within bill):
 - a. Ad Valorem Property Tax Exemptions provided by State Constitution: Article 11, sec. 13
 - b. Star Bonds
 - c. Revenue Bonds for property tax exemptions
 - d. HPIP: High Performance Incentive Program
 - e. Angel Tax Credits

- f. ROZ: Rural Opportunity Zone
- g. Historic Tax Credit
- h. Job Creation Fund
- i. PEAK: Promoting Employment Across Kansas

**Some of these incentives, though not in entirety nor in the manner prescribed by this bill, are currently provided on KanView in some form; however, there is no statutory requirement or easily accessible format.*

- 2) Includes Exemption for disclosure of certain tax information; certain information may be provided to Sec. of Administration per KTTA amended
- 3) Data must be provided in electronic format, must include county-specific mapping by incentives and be searchable by incentive, county, and business
- 4) Incentive programs, besides aggregate of amount of incentives by type where appropriate, must also include provisions to understand the incentive program:
 - a. Description of program & intended purpose
 - b. Criteria for eligibility
 - c. Benchmarks necessary for continued participation by recipient
 - d. Economic benefits received by the state of Kansas due as a result of program
 - e. Annual reports
 - f. Statutes where the incentive, eligibility criteria and reporting requirements are codified
- 5) Addition of a 10-member Joint Legislative Taxpayer Transparency Committee and elimination of 15-member Public Finance Transparency Board

In Closing, HB 2672 aims to provide the baseline in which lawmakers can make more informed decisions and focus our dollars and attention on those incentives that provide the greatest return on investment for our state. Without a clear understanding of what our incentives are, who receives them, and how much are we spending – we’re making BIG policy decisions with fragmented and even limited information. All states but a handful, including Kansas, have disclosed some level of incentives: <http://www.governing.com/news/headlines/economic-development-subsidy-transparency-state-rankings-report.html>

Thank you for the opportunity to bring one more piece of the transparency puzzle to the light for full review. It’s my honor to work with you on better solutions and practices for the State of Kansas!

Sincerely,

Rep. Kristey Williams

Supportive Research/Publications/Websites: Transparency of Economic Incentive
Data and State Comparisons

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Oklahoma

data.ok.gov

Oklahoma Quality Jobs Incentives Programs: <https://data.ok.gov/dataset/oklahoma-quality-jobs-incentive-payments>

Missouri Accountability Portal: <https://mapyourtaxes.mo.gov/MAP/Stimulus/>

Tax Credits: <https://mapyourtaxes.mo.gov/MAP/TaxCredits/Categories/Default.aspx>

Missouri Taxpayer Accountability Report:

<https://ded.mo.gov/ded/tax-credit-reporting>

<https://ded.mo.gov/sites/default/files/Annual%20Tax%20Credit%20Accountability%20Report%206-17%20online.pdf>

Nebraska

130-Page Document: Nebraska Tax Incentive Annual Report

http://www.revenue.nebraska.gov/incentiv/annrep/16an_rep/2016_Nebraska_Tax_Incentives.pdf

Nebraska Dep. of Revenue report states that tax incentives are ‘net loss for the state:’

http://www.omaha.com/news/nebraska/report-says-nebraska-s-business-tax-incentives-are-net-loss/article_0ec7bf1c-311e-54a4-ab84-17889a42ab5a.html

South Carolina

<https://www.scommerce.com/incentives>

dor.sc.gov (314 pages: Tax Incentives for Economic Development Report)

https://dor.sc.gov/resources-site/lawandpolicy/Documents/SC_TIED_Complete.pdf

<https://www.scommerce.com/incentives/corporate-income-tax-and-incentives>

North Carolina

<https://www.ncleg.net/Sessions/2015/Bills/Senate/PDF/S633v1.pdf>

Americans For Prosperity (June 2017)

<https://americansforprosperity.org/nc-general-assembly-needs-tax-dollar-transparency/>

Compare with Kansas

“Welcome to KanView: Kansas Transparency Portal”

the <http://kanview.ks.gov>

Department of Revenue:

<https://www.ksrevenue.org/prtaxincentives.html>

Department of Commerce

<http://www.kansascommerce.gov> (Launch your business page is down)

Business Incentives and Programs: <http://www.kansascommerce.gov/975/Programs-Services>

Who’s measuring?

<http://www.governing.com/news/headlines/economic-development-subsidy-transparency-state-rankings-report.html>

<http://www.pewtrusts.org/en/research-and-analysis/analysis/2017/05/03/state-tax-incentive-evaluation-ratings>

Importance of Evaluating (City) Incentives:

<http://www.pewtrusts.org/en/research-and-analysis/analysis/2017/12/13/the-importance-of-evaluating-city-tax-incentives>

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How State’s Are Improving Tax Incentives for Jobs and Growth:

<http://www.pewtrusts.org/en/research-and-analysis/reports/2017/05/how-states-are-improving-tax-incentives-for-jobs-and-growth>

Full Report:

http://www.pewtrusts.org/~media/assets/2017/05/edti_how_states_are_improving_tax_incentives_for_jobs_and_growth.pdf?la=en

<https://www.goodjobsfirst.org>

2010: https://www.goodjobsfirst.org/sites/default/files/docs/pdf/showusthesubsidiesrpt_0.pdf

2014: Show us the subsidized jobs: Kansas has ‘0’ :

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/showusthesubsidizedjobs.pdf>

Corporate Welfare: Top Corporations receiving Subsidies (Federal)

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/UncleSamsFavoriteCorporations.pdf>

How easily can Kansans track spending data? US News ranks Kansas 28th in Budget Transparency:

<https://www.usnews.com/news/best-states/rankings/government/budget-transparency>

Government Accounting Standards Board Requirements Change in 2015 to add more comprehensive requirements for tracking economic development incentives:

<https://www.goodjobsfirst.org/GASB77Analysis>

Tax Foundation:

Key Questions to ask about tax incentives:

- What is the problem we are trying to solve?
- What will we create with this incentive?
- Does this incentive create a competitive advantage?
- How will we measure the impact?
- Who is in charge of collecting data and reporting it?
- How does this incentive fit into the larger mix?
- If we had to appropriate budget dollars for this incentive package, would we spend it?
- How much is too much?

2014 Tax Foundation Report:

<https://files.taxfoundation.org/legacy/docs/Henchman%20Incentives%20CSG%20August%202014.pdf>