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Written only neutral testimony on House Bill 2572
House Taxation Committee

Chair Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony on Kansas tax policy. The Kansas Center for Economic Growth (KCEG) is a nonpartisan organization dedicated to promoting balanced budget and tax policies that help ensure all Kansans prosper. **We are submitting neutral testimony on House Bill 2572 because we support additional transparency around economic development data but would like to see further clarity on the data provided, how current and future projects will be evaluated, and how the information will affect implementation of incentive programs moving forward.**

As lawmakers heard in the legislative post audit report from October 2017, "Kansas Tax Revenues: Reviewing How Other States Inventory and Evaluate Tax Credits and Exemptions,"ⁱ research from the Pew Charitable Trusts identifies three steps states should take to effectively evaluate tax incentives:

- **Make a plan.** Lawmakers need to put processes in place to regularly evaluate the results of major tax incentives. Well-designed evaluation plans ensure that the state's full portfolio of incentives is examined, that nonpartisan staff with relevant expertise are tasked with the analyses, and that the reviews take place on a strategic schedule.
- **Measure the impact.** High-quality evaluations carefully assess the results of incentives for the state's budget and economy. To do so, evaluators must estimate the extent to which incentives successfully changed business behavior, as opposed to rewarding what companies would have done anyway.
- **Inform policy choices.** Lawmakers and executive branch officials should use the findings of evaluations to improve the effectiveness of tax incentives. Policy

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improvements are more likely when states have a formal process that ensures lawmakers will consider the results—for example, by holding legislative hearings on evaluations.ⁱⁱ

While this bill is a first step toward increasing transparency surrounding economic incentive packages, we would encourage the proposed Joint Committee on Taxpayer Transparency to consult with the Department of Commerce to ensure that the data provided by developers is accurate. We would also like additional clarity on whether businesses currently benefiting from economic development incentives will be required to provide data about ongoing projects.

Additionally, KCEG would like additional detail on how evaluation of economic development data will occur. While this legislation seems to meet the first of Pew's best practices, the next important step is to measure the impact of those packages, and then make policy decisions informed by that evaluation. Thank you for the opportunity to submit testimony on House Bill 2572, and please do not hesitate to contact me (heidi@realprosperityks.com) if you have any questions.

ⁱ <http://www.kslpa.org/assets/files/reports/r-17-015.pdf>

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