

Mike Brown

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Kansas House of Representatives
Commerce, Labor and Economic Development Committee
Honorable Chairman Sean Tarwater
Honorable Members of the Committee

Re; HB 2006 - Public Finance Mechanisms

Good afternoon Chairman and Members of the Committee. Thank you for allowing me to present a few thoughts related to public financing tools used by our cities as Economic Development Incentives. For a brief background I am a Kansas general contractor and businessman. Additionally I serve as a Johnson County Commissioner, but do not appear before you nor submit this testimony in my official capacity.

As a Commissioner I have as one of my responsibilities to be notified of the request for certain incentives used by cities to encourage development. These incentives are taxpayer dollars provided to a developer as incentive or risk-mitigation through an agreement where in exchange for the incentive the achievement of specific criteria is expected such as the construction of a new facility, the remodeling improvements of an existing facility and/or new jobs that are to be created. The struggle for me exists not in the tools available for use but rather in the lack of accountability throughout the process. I am supportive of all of the options in the "incentives toolbox" however I am not supportive of the system as it is currently designed - with little or no reporting, follow-through or progress updates, no intermittent data and no provision to recapture taxpayer dollars in the event of a failure to meet the stated objectives. It is my opinion the system must be changed to allow for better controls and transparent accountability of public monies. Additionally there should be a claw-back provision for the instance of missing a projected goal.

My role as a Commissioner in many of these incentive packages is simply to be notified the wheels are in motion with no authority to even ask questions. One mechanism does provide for us to vote as a Commission regarding the withdrawal of the County from participation but to be clear I am unaware of a single occurrence of withdrawal in Johnson County by any taxing jurisdiction. It is frustrating to have every presentation to a prospective client lead with a package of taxpayer-funded incentives with no risk for the developer all the while I have Kansan and Johnson County constituents waiting in line for mental health, developmental supports and other services, our infrastructure is in need of vast and expensive repairs and, according to some, our children are suffering for funding of public education. To address these concerns, I ask this Committee to consider now or in the near future the following as objectives for tightening the rules of incentives package to better protect taxpayer investment;

1. A bond should be posted with the Kansas State Treasurer's Office commensurate with the total proposed tax incentive value as stated by the applicant. The term of the posted bond shall match the incentive term.
2. An intermittent but regularly scheduled reporting of progress compared to goals should be presented to all investing tax jurisdictions via the Kansas Department of Commerce.
3. There should be a bi-annual or annual review beginning at the end of the first full period where the reports are audited and submitted to the State Treasurer on or before March 1 and September 1 of each year. If the periodic objective(s) is/are met then a prorated portion of the bond shall be released to the applicant by the State Treasurer.
4. A final report at the end of the incentive period should be provided to all investing tax jurisdictions on a standardized form created by the Kansas Treasurer's Office for easy comparison to the originally stated goals. This information should be published in an easy to find and understandable online format readily available to the public.

These measures would put the applicant in the position of providing the surety of meeting their projections versus the current process where the taxpayer is fully at risk. I believe these changes would have no impact on economic development in Kansas and would protect taxpayer dollars in the public trust. The taxpayer has a right to know just how well their investment turned out and to be assured their investment is protected. Thank you for your time and attention to this important matter and the many important topics you address as this body in this building.

Sincerely and respectfully,
/s/ Mike Brown
Brown Midwest Construction Services
Brown Midwest, LC