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House of Representatives

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**Proponent Testimony:** *HB 2006, An act relating to the disclosure of economic incentive data*

Chairwoman Lynn and Members of the Committee:

When Kansas prospers – we all prosper. A healthy, growing economy is catalyzed by our entrepreneurs, the right business climate, a well-trained workforce, and other key variables. Whether we like it or not, today's competitive business climate includes economic incentives. Strategically adding economic incentives can be a powerful tool if used wisely, with continuous oversight, disclosure, and evaluation.

We can likely all agree that in Kansas, we're really pretty good at giving out incentives, either as a state or locally – but we're not so good at disclosing or measuring those incentives. It's time to make a change and be sure our economic incentives are working for us.

HB 2006 has **two primary components: Reporting/disclosure** (similar bill passed out of House chamber unanimously in 2018) and **Analysis** (which is the new piece that is based on the Pew Charitable Trust Foundation's best practices and was offered by the Kansas Chamber):

- 1) The reporting piece: It establishes a searchable data base of economic incentives from programs that provide \$50,000 or more of incentives annually.
- 2) The analysis piece: All qualifying incentives would be placed in a review cycle every three years and the review would be done by the Legislative Post Audit at the direction of the Legislative Post Audit Committee.

**The bill does these things:**

- 1) It defines economic development incentive programs to mean
  - a. Those programs administered in whole or in part by the Dep of Commerce.
  - b. Any tax credit program or economic development fund EXCEPT for social and domestic credits (that are outlined in the bill) regardless of the administering agency
  - c. Property tax exemptions as allowed by our Constitution and statute
- 2) All economic incentive programs that provide more than \$50,000 of annual incentives from administering agencies are included for disclosure and evaluation by LPA

**For the disclosure pieces of the bill:**

- 3) Those incentives must be provided on the Department of Commerce's website or have appropriate link, so provided in digital format and must be
  - a. Searchable by program, business, and county
  - b. Printable
  - c. Available to access on-line
- 4) The database of economic development incentives data must include the following:
  - a. Names, address, and county of recipient (recipient is defined as the original applicant)
  - b. If Star Bond, also the names of the principals and officers of the development enterprise
  - c. Annual amount of incentives claimed
  - d. Qualifications for incentives, if specific to the recipient, otherwise would be included on program summary (e.g. # jobs created or amount of cap investment)
  - e. Years in which incentives are granted/benefits received (eligibility)

**WEBSITE Program requirements per the bill**

- f. Program information for EACH ED Program on Dep. Commerce existing website
  - i. History of program, origination date
  - ii. Purpose/Goals of program and criteria for qualification
  - iii. Application for the program and relevant resources/contacts
  - iv. Program cost and Return on Investment INCLUDING assumptions used to calculate the ROI
  - v. Program Compliance Rate
  - vi. Annual Reports, if required by Statute
  - vii. Evaluations of program, if any
  - viii. Annual data which should be organized by recipient, county, and program. ANNUAL DATA SHOULD INCLUDE:
    1. Total amount of annual incentives from a program claimed by a recipient

2. Total amount of incentives received by recipients in EACH County
3. Total amount of incentives distributed by each PROGRAM
4. DATA MUST be aggregated and provided in those 3 categories:  
program, recipient (business), and county
- 5) **This bill maintains necessary confidentiality** but provides transparent reporting in a searchable database of all incentives that exceed \$50,000 by program. In current law, Dep. Revenue is not allowed to provide this information. Per the bill, now the Dep. Commerce and LPA will have access.

**Analysis part of the bill by LPA:**

- 6) Would evaluate both the program design and administration
- 7) Economic and fiscal impact
- 8) ROI calculation as defined in bill
- 9) Other information as may be requested (benchmarks?)

In closing, the Senate and the House have positioned themselves with research, review, and interim committees on the subject of evaluating and disclosing economic incentives. We are ready to act – and Kansas taxpayers and the Kansas economy will be better off for our action. Passage of HB 2006 helps us know what works and what doesn't work. It allows more transparency. It allows the Dep. of Commerce to become better organized and equipped to team with the Legislature to make good policy decisions.

Thank you for considering HB 2006 (passed 2019 unanimously in the House). It's a privilege to work with member of the Senate to put forth good policy for the State of Kansas. Please let me know if you have any questions or if I may be of any assistance as you evaluate this bill or any others that relate to economic incentives.

In Service,



Rep. Kristey Williams