

Chairman Tarwater and Members of the Committee,

We appreciate this opportunity to testify against HB 2234, which extends the APEX program another year.

The first APEX deal with Panasonic has so far turned out about as expected by people who oppose giving massive handouts of taxpayer money in the name of economic development:

- The deal negotiated by the Commerce Department places no obligations to create a certain number of jobs or invest a minimum amount.
- Many of the details remain shrouded in secrecy.
- Local officials are heaping tax subsidies on Panasonic while imposing large property taxes on everyone else.

We oppose HB 2334 for many other reasons, including the following.

Unfair to other businesses – Subsidies benefit the recipient but they create hardships for other businesses. A subsidized business can offer better prices and pay higher wages, which creates gives it an unfair advantage.

Subsidies are part of the reason Kansas has the highest effective tax rates on mature businesses – The Tax Foundation says subsidies “keep tax costs for mature firms much higher than they would be if the tax burden were distributed more equitably.”ⁱ

Harder for Kansas companies to hire employees – many of the people who are hired by the qualifying company and suppliers in SB 347 will be enticed away from existing Kansas companies. Businesses are struggling to find employees now, and SB 347 will only make that situation worse.

If subsidies worked, Kansas wouldn’t be in its fifth straight year of economic stagnation – cities, counties, and the state have provided tremendous amounts of subsidies for many years. Yet Kansas trails the nation on job creation and GDP, and the gaps are getting worse.

A study of the state’s PEAK program (Promoting Employment Across Kansas) by Nathan Jensen at Washington University in St. Louis found that PEAK recipients were no more likely to create jobs than non-PEAK recipients.ⁱⁱ

Dr. Arthur Hall, Executive Director of the Brandmeyer Center for Applied Economics at the University of Kansas, reached a similar conclusion in a study of STAR bond projects in Wichita.ⁱⁱⁱ New jobs in the STAR bond areas mostly resulted from a shift in economic activity to a different part of the city.

The Commerce Department cannot substantiate claims of business investment in Kansas –

The Kansas Department of Commerce announced that there had been \$2 billion in new capital investment in 2020 and credited themselves for more than 8,100 jobs created. Our media outlet, *The Sentinel*, sent Open Records requests to the Commerce Department, seeking documentation to support those claims. Commerce responded that their claims were based on “pledges” from recipients of taxpayer money. We sent another request asking for the methodology used to determine jobs saved or created, along with any policy documents setting such a formula. The response was that no such documents existed.^{iv}

We stand in opposition to HB 2334 and we encourage the committee to not recommend it.

ⁱ “Location Matters 2021: The State Tax Costs of Doing Business,” Tax Foundation, May 2021.

<https://files.taxfoundation.org/20210504162527/Location-Matters-2021-The-State-Tax-Costs-of-Doing-Business.pdf>

ⁱⁱ Nathan Jensen, “Evaluating Firm-Specific Location Incentives: An Application to the Kansas PEAK Program”, Washington University in St. Louis, May 2014.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2431320

ⁱⁱⁱ Arthur Hall, “Perspectives on Economic Development Incentives and Economic Growth in Wichita,” Kansas Policy Institute, September 10, 2020. <https://kansaspolicy.org/perspectives-on-economic-development-incentives-and-economic-growth-in-wichita/>

^{iv} Patrick Richardson, “Commerce can’t – or won’t – substantiate “jobs created” claim,” The Sentinel, February 4, 2021. <https://sentinelksmo.org/commerce-cant-or-wont-substantiate-jobs-created-claim/>