

**SENATE BILL No. 448**

By Committee on Assessment and Taxation

3-16

1 AN ACT concerning economic development incentives; relating to  
2 evaluations; creating the joint economic development incentive review  
3 committee.

4  
5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. As used in sections 1 through 4, and amendments thereto:

7 (a) "Committee" shall mean the joint economic development  
8 incentive review committee established in section 2, and amendments  
9 thereto.

10 (b) "Economic development incentives" shall mean state programs,  
11 statutory provisions, or tax expenditures, including tax credits, tax  
12 exemptions, tax deductions, grants, loans or workforce programs, that are  
13 intended to encourage economic development in Kansas or to incentivize  
14 businesses to locate, expand, invest or remain in Kansas, to hire or retain  
15 employees in Kansas or that facilitate economic development in Kansas.

16 (c) "Post auditor" shall mean the post auditor established in K.S.A.  
17 46-1102, and amendments thereto.

18 Sec. 2. (a) There is hereby established the joint economic  
19 development incentive review committee. The committee shall be  
20 composed of seven members as follows:

21 (1) Two members selected by the senate president, one of whom is a  
22 member of the senate committee on commerce and one of whom is a  
23 member of the senate committee on assessment and taxation;

24 (2) two members selected by the speaker of the house of  
25 representatives, one of whom is a member of the house committee on  
26 commerce, labor and economic development and one of whom is a  
27 member of the house committee on taxation;

28 (3) one member selected by the minority leader of the senate, who is  
29 a member of the senate committee on commerce or the senate committee  
30 on assessment and taxation, the house committee on commerce, labor and  
31 economic development or the house committee on taxation;

32 (4) one member selected by the minority leader of the house of  
33 representatives, who is a member of the senate committee on commerce or  
34 the senate committee on assessment and taxation, the house committee on  
35 commerce, labor and economic development or the house committee on  
36 taxation; and

1 (5) one member selected by the chairperson of the legislative post  
2 audit committee, who is a member of the legislative post audit committee.

3 (b) Preference shall be given in the selection of members to  
4 representatives who are members of both the house committee on  
5 commerce, labor and economic development and the house committee on  
6 taxation and to senators who are members of both the senate committee on  
7 commerce and the senate committee on assessment and taxation.

8 (c) At the commencement of each regular session of the legislature,  
9 the members of the review committee shall select a chairperson and vice-  
10 chairperson, who are not members of the same house of the legislature,  
11 from the membership of the review committee.

12 (d) The review committee may meet at any time and at any place  
13 within the state on the call of the chairperson or a request to the  
14 chairperson by a majority of the committee. A quorum of the committee  
15 shall be four voting members. All actions of the committee shall be by  
16 motion adopted by a majority of those members present when there is a  
17 quorum.

18 (e) In accordance with K.S.A. 46-1204, and amendments thereto, the  
19 legislative coordinating council may provide for professional services as  
20 may be requested by the committee.

21 (f) The staff of the office of the revisor of statutes, the legislative  
22 research department, the division of legislative post audit and the division  
23 of legislative administrative services shall provide assistance as may be  
24 requested by the committee. Upon request of the committee, the secretary  
25 of commerce and the secretary of revenue shall provide assistance and  
26 information, as permitted by law, to the committee. The committee may  
27 request information or expert assistance from other agencies, boards,  
28 offices and commissions of the state, cities, counties, economic  
29 development associations and public institutions or universities.

30 Sec. 3. (a) The committee shall develop an inventory of all Kansas  
31 economic development incentives. In determining whether a program is an  
32 economic development incentive, the committee may consider legislative  
33 intent, whether the program is promoted as an incentive by any state  
34 agency, or other factors deemed relevant. The committee shall update this  
35 inventory annually.

36 (b) The committee shall develop a schedule ensuring that economic  
37 development incentives are evaluated at least once every five years by the  
38 post auditor as directed by the committee. The schedule shall include all  
39 economic development incentives, except those exempted by the  
40 committee from evaluation. The schedule may be adjusted and updated as  
41 necessary by the committee on an ongoing basis.

42 (c) In addition to the criteria for economic development incentive  
43 evaluations listed in section 4, and amendments thereto, the committee

1 may develop additional criteria to be used by the post auditor to evaluate  
2 an incentive.

3 (d) The committee shall accept the report of the post auditor and hold  
4 a public hearing on each economic development incentive evaluation  
5 completed by the post auditor.

6 (e) The committee shall prepare a written report to the legislature on  
7 each evaluation following the completion of the public hearing. The  
8 committee may include recommendations and comments on the  
9 evaluations or the incentives under review in the report. The committee  
10 may request the post auditor to conduct further investigation or inquiry  
11 based upon the initial report and issue a supplemental report to the  
12 committee. The committee may introduce legislation.

13 (f) The committee shall develop policy guidelines, eligibility  
14 requirements and criteria for enacting specific individual sales tax  
15 exemptions requested by for profit, nonprofit, religious or charitable  
16 organizations or businesses, and may introduce legislation incorporating  
17 the committee's recommendations.

18 Sec. 4. (a) The post auditor shall evaluate economic development  
19 incentives according to the schedule developed by the committee, as  
20 provided in section 3, and amendments thereto.

21 (b) The post auditor's evaluations of economic development  
22 incentives may include to the extent practicable and as directed by the  
23 committee:

24 (1) A description of the history of the incentive and its goals;

25 (2) a literature review of the effectiveness of this type of incentive,  
26 including an inventory of similar incentives in other states;

27 (3) an estimate of the economic and fiscal impact of the incentive.  
28 This estimate may take into account the following considerations in  
29 addition to other relevant factors:

30 (A) The extent to which the incentive changes business behavior;

31 (B) the results of the incentive for the economy of Kansas as a whole,  
32 including both positive direct and indirect impacts and any negative effects  
33 on other Kansas businesses; and

34 (C) a comparison to the results of other incentives or other economic  
35 development strategies with similar goals;

36 (4) an assessment of whether adequate protections are in place to  
37 ensure the fiscal impact of the incentive does not increase substantially  
38 beyond the state's means or expectations in future years;

39 (5) an assessment of whether the incentive is being administered  
40 effectively;

41 (6) an assessment of whether the incentive is achieving its goals;

42 (7) recommendations for how Kansas can more effectively achieve  
43 the incentive's goals;

1 (8) recommendations for any changes to state policy, rules and  
2 regulations or statutes that would allow the incentive to be more easily or  
3 conclusively evaluated in the future. These recommendations may include  
4 changes to collection, reporting and sharing of data, and revisions or  
5 clarifications to the goal of the incentive; and

6 (9) any other information the auditor deems necessary to assess the  
7 effectiveness of the incentive and whether it is achieving its goals.

8 (c) The post auditor shall complete an initial one-time study, to be  
9 completed by July 1, 2019, to determine the purpose of each incentive, the  
10 data available, and what additional information may be needed to facilitate  
11 future high-quality evaluations. The report shall be provided to the joint  
12 economic development incentive review committee at the first meeting of  
13 the committee following the completion of the report.

14 (d) In conducting evaluations for the joint economic development  
15 incentive committee, the post auditor shall have all powers and access to  
16 information as well as be subject to the same duty of confidentiality as  
17 provided by the legislative post audit act.

18 Sec. 5. This act shall take effect and be in force from and after its  
19 publication in the statute book.