

Evaluation and Transparency of Economic Development Programs and Tax Incentives; Rural Housing Bond Maturity; HB 2223

HB 2223 requires analyses and reporting of certain economic development incentive programs to be performed by the Legislative Division of Post Audit (LPA) and the Department of Commerce (Department).

The bill also extends the maximum maturity on bonds issued to finance projects under the Kansas Rural Housing Incentive District Act.

Legislative Division of Post Audit

The bill authorizes the Legislative Post Audit Committee (Committee) to conduct a systematic and comprehensive review, analysis, and evaluation of each “economic development incentive program,” as that term is defined by the bill, every three years.

Subject to appropriation and as directed by the Committee, the Post Auditor must include in each evaluation:

- A description of the economic development incentive program, including its history and goals;
- A literature review of the effectiveness of the incentive program, including an inventory of similar programs in other states;
- An estimate of the economic and fiscal impact of the incentive program, which may include:
 - The extent to which the incentive program changed business behavior;
 - The results of the incentive program on the Kansas economy, including direct and indirect impacts and negative effects on Kansas businesses;
 - A comparison with other incentive programs or economic development policies;
 - An assessment of whether the State can afford the incentive program;
 - An assessment of the incentive program’s design and administration;
 - An assessment of whether the incentive program’s goals are achieved;
 - Recommendations that allow for the incentive program to be more easily or conclusively evaluated in the future;
 - A “return on investment calculation,” as that term is defined by the bill;
 - Methodology and assumptions used in the evaluation and a critique of multiplier methodologies; and
 - An analysis of significant opportunity costs; and

- Any other information the Committee deems necessary to assess the effectiveness of the incentive program.

Confidential information must be redacted from any audit report.

The bill does not limit the Legislature's oversight of economic development incentive programs.

Department of Commerce

The Department must establish a database for the purpose of disclosing information on economic development incentive programs. "Economic development incentive program" is defined to include certain income tax credits and locally granted property tax exemptions, in addition to various programs administered by the Department, including the Job Creation Program Fund and the Economic Development Initiatives Fund.

Relative to economic development incentives, the Department must provide data on certain programs providing more than \$50,000 in annual incentives and make the information available to the public in a digital format. The bill requires the information to be available for multiple years and searchable and available on the Internet *via* the Department's website. The database must contain the names and addresses of "recipients," as that term is defined by the bill, receiving Sales Tax and Revenue (STAR) Bond benefits, as well as the names of principals and officers for each STAR Bond project developer; annual amount of incentives claimed and distributed to each recipient; and qualification criteria for each economic development program, including the number of jobs created or amount of capital investments made. The bill requires additional descriptive information to include the history of each program; its purpose and goals; current applications; the program cost and return on investment (ROI), including assumptions used to calculate ROI; annual reports; and the amount of incentives by county. However, information on the economic development incentive programs will not be disclosed if the disclosure would violate any federal law or confidentiality provisions of agreements executed prior to July 1, 2019, or if the Secretary of Commerce determines the disclosure would be detrimental to an incentive program or a project, including a STAR Bond project. In the latter case, the bill requires the Secretary of Commerce to submit a written report to the House Committee on Commerce, Labor and Economic Development and the Senate Committee on Commerce any information not disclosed and the reasons for nondisclosure. That report and any associated testimony or committee discussion are exempt from the open meeting and record laws; this provision sunsets on July 1, 2024.

Taxpayer confidentiality provisions are modified to allow the Secretary of Revenue to disclose certain income and privilege tax credit information to the Department, except that certain social and domestic tax credits are excluded from the provisions of the bill, including adoption credits, earned income tax credits, food sales tax credits, child and dependent care tax credits, and homestead property tax refund credits.

Starting in the 2020 Session, the Secretary of Commerce is required to make annual oral presentations to the Legislative Post Audit Committee; the House Committee on Commerce, Labor and Economic Development; and the Senate Committee on Commerce regarding incentive programs and their economic impact.

Kansas Rural Housing Incentive District Act

The bill extends from 15 years to 25 years the maximum maturity on bonds issued to finance projects under the Kansas Rural Housing Incentive District Act. The governing body of a city or county may extend from 15 years to 25 years the maximum period for individual projects authorized under this act.