

SESSION OF 2019

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2006

As Amended by House Committee on
Commerce, Labor and Economic Development

Brief*

HB 2006, as amended, would require certain analyses and reporting of economic development programs, which would be done by the Legislative Division of Post Audit and the Department of Commerce (Department).

Division of Legislative Post Audit

The bill would amend the Legislative Post Audit Act to authorize the Legislative Post Audit Committee (Committee) to conduct a systematic and comprehensive review, analysis, and evaluation of each “economic development program,” as that term would be defined by the bill. Subject to appropriation, the Post Auditor would include in each report:

- A description of the economic development incentive program;
- An assessment of the program’s design and administration;
- An estimate of the economic and fiscal impact;
- A “return on investment calculation,” as that term would be defined by the bill; and
- Other information as requested by the Committee.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Confidential information would be redacted from any audit report.

When communicating information to the Legislative Division of Post Audit, the Secretary of Commerce (Secretary) would be prohibited from disclosing certain information that would:

- Violate federal law or confidentiality agreements executed prior to July 1, 2019;
- Be detrimental to a sales tax and revenue (STAR) bond project; or
- Disclose identifying information of individuals who made investments for purposes of receiving a tax credit.

Department of Commerce

The Department would establish a database for the purpose of disclosing information on economic development incentive programs, which would be defined to include certain income tax credits and locally-granted property tax exemptions in addition to various programs administered directly by the Department, including the Job Creation Fund.

Relative to economic development incentives, the Department would be required to provide data on most programs providing more than \$50,000 in annual incentives and make such information available to the public in a digital format. The bill would require such information to be available for multiple years and be searchable and available on the Internet. The database would contain names and addresses of recipients receiving STAR bond benefits, as well as 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 would require 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 would not be disclosed if such disclosure would violate any federal law or confidentiality provisions of agreements executed prior to July 1, 2019, or if the Secretary of Commerce determines such disclosure would be detrimental to the development of a STAR bond project.

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

Background

The bill was introduced by Representative Williams, who was a proponent during the hearing of the House Committee on Commerce, Labor and Economic Development, stating the bill would provide for a more open and taxpayer-focused government. Other proponents included representatives from the Kansas Policy Institute, a Johnson County commissioner representing himself, and a member of the public.

Representatives from the Kansas Chamber and the Kansas Economic Development Alliance spoke in opposition to the bill, expressing concern the information published online would not be useful and could reveal confidential information. Opponent written-only testimony was provided by various chambers of commerce.

The House Committee amended the bill to:

- Authorize the Legislative Division of Post Audit to conduct evaluations;
- Define economic development funds, in particular the Job Creation Fund, to mean economic development incentive programs; and
- Clarify when certain information may not be disclosed.

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Department estimated it would need an additional 1.0 full-time equivalent (FTE) position and \$59,813 from the State General Fund (SGF) for salaries and wages in FY 2019 to collect and report the information required in the bill. For FY 2020 and subsequent years, the Department would require an additional 0.6 FTE position and \$44,550 from the SGF for salaries and wages. No estimate was available at the time of the House Committee's actions for the costs that would be incurred by the Legislative Division of Post Audit.