

REPORTS OF STANDING COMMITTEES

MR. SPEAKER:

The Committee on **Commerce, Labor and Economic Development** recommends **HB 2483** be amended on page 1, in line 15 by striking "(c)";

On page 2, by striking all in lines 16 through 18; following line 18, by inserting:

"Sec. 2. K.S.A. 46-1137 is hereby amended to read as follows: 46-1137. (a) Under the authority of this section and the legislative post audit act, and subject to appropriations therefor, the legislative post audit committee shall direct the post auditor and the division of post audit to conduct a systematic and comprehensive review, analysis and evaluation, under the provisions of the legislative post audit act, of all new economic development incentive programs, as defined in K.S.A. 2023 Supp. 74-50,226, and amendments thereto, that provide more than \$50,000 of annual incentives from administering agencies, have not previously been audited pursuant to this section and have been recommended for review by either the house committee on commerce, labor and economic development or the senate committee on commerce, as selected by the legislative post audit committee. The evaluation procedure established by this section is intended to enhance and facilitate the ability of the legislature to fulfill its responsibility to evaluate and oversee economic development incentive programs. The oversight of economic development incentive programs is intended to remain with the legislature, independent of the legislative post audit committee. This section shall not be construed to limit, in any way, oversight of economic development incentive programs to the legislative post audit committee.

(b) The evaluations shall be considered within the meaning of the term audit for purposes of the legislative post audit act and shall be conducted by the post auditor and the

division of legislative post audit pursuant to a schedule developed by the legislative post audit committee, such that ~~all economic development incentive programs shall be reviewed every three years, and~~ new economic development incentive programs described in subsection (a) shall be reviewed ~~the year~~ two years after the program commences; and ~~then every three years thereafter, subject to subsection (c), not later than the third year after the program commences.~~

(c) The timing and extent of the evaluations may be subject to adjustment by the legislative post audit committee in a manner consistent with ~~the requirements~~ intent of this section ~~as~~ if necessary to conform with resources available to the post auditor in consideration of the demands of other duties under the legislative post audit act.

~~(e)~~(d) In conducting such evaluations, the post auditor and the division of post audit shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, to the same extent permitted under K.S.A. 46-1106(e), and amendments thereto, and shall be subject to the same duty of confidentiality as provided by the legislative post audit act.

~~(d)~~(e) Evaluations shall be conducted ~~with~~ the goal of enabling evidence-based policy determinations by the legislature with respect to economic development incentive programs. To the extent reasonably possible, evaluations shall utilize direct and documented evidence and primary-source instead of secondary source data. An evaluation shall include, as directed by the post audit committee:

- (1) A description of the economic development incentive program, its history and its goals;
- (2) a literature review of the effectiveness of this type of incentive program, including an inventory of similar incentive programs in other states;
- (3) an estimate of the economic and fiscal impact of the incentive program;

This estimate may take into account the following considerations in addition to other relevant factors:

- (A) The extent to which the incentive program changes business behavior;
- (B) the results of the incentive program for the economy of Kansas as a whole, including both positive direct and indirect impacts and any negative effects on other Kansas businesses;
- (C) a comparison with the results of other incentive programs or other economic development strategies with similar goals;
- (D) an assessment of whether protections are in place to ensure that the fiscal impact of the incentive program does not substantially increase beyond the state's means or expectations in future years;
- (E) an assessment of the incentive program's design and whether the incentive program is being effectively administered in accordance with the program's enacting statute or statutes;
- (F) an assessment of whether the incentive program is achieving its goals;
- (G) recommendations for any changes to state policy, rules and regulations or statutes that would allow the incentive program to be more easily or conclusively evaluated in the future. These recommendations may include changes to collection, reporting and sharing of data, and revisions or clarifications to the goals of the incentive program;
- (H) a return on investment calculation for the economic development incentive program. For purposes of this paragraph, "return on investment calculation" means analyzing the cost to the state or political subdivision for providing the economic development incentive program and analyzing the benefits realized by the state or political subdivision from providing the economic development incentive program;
- (I) the methodology and assumptions used in carrying out the reviews, analyses and

evaluations required under this subsection, including an analysis of multiplier effects and a critique of the multiplier effect determination methodologies utilized in the evaluation report, including any determinations made using standard industry software models, and any respective limitations or potential effects of such methods on outcomes; and

(J) an analysis of significant opportunity costs of the incentive program at the state and local level;

(4) any other information that the legislative post audit committee deems necessary to assess the effectiveness of the incentive program and whether it is achieving the goals of the incentive program; and

(5) all information, after redaction, as necessary, by the post auditor to remove information confidential under state or federal law, required for publication pursuant to K.S.A. 2023 Supp. 74-50,227, and amendments thereto, with respect to the economic development incentive program being evaluated.

~~(e)~~(f) The post auditor shall prepare and submit a written report with respect to each evaluation to the legislative post audit committee as provided by the legislative post audit act and, in addition, shall prepare and provide any redacted information, with respect to the economic incentive program evaluated, required for publication by the secretary of commerce pursuant to K.S.A. 2023 Supp. 74-50,227, and amendments thereto, to the secretary of commerce if such information is not otherwise available to the secretary of commerce.

~~(f)~~(g) This section shall be a part of and supplemental to the legislative post audit act.";
And by renumbering sections accordingly;

On page 1, in the title, in line 3, by striking the comma and inserting "and"; in line 4, by striking "certain" and inserting "limiting recurring"; in line 5, after "audits" by inserting "to new programs providing more than \$50,000 of annual incentives that have not previously been

audited and have been recommended for review by the house or senate commerce committees"; also in line 5, after "and" by inserting "46-1137 and"; in line 6, by striking "section" and inserting "sections"; also in line 6, by striking "and 46-1137"; and the bill be passed as amended.

_____Chairperson