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**Testimony to the Kansas Senate Committee on Commerce
In Support of Senate Bill 448
March 21, 2018**

Chair Lynn and Members of the Committee:

Good afternoon and thank you very much for the opportunity to testify today. My name is Mirielle Burgoyne and I am a researcher with The Pew Charitable Trusts' economic development tax incentives project.

Pew is a public charity that engages in research and technical assistance at the local, state, and federal levels. We have been doing research on economic development incentive evaluations since 2012.

Our project helps cities and states make evidence-based reforms to their economic development tax incentives. To accomplish this, our research shows that one of the most important steps a state can take is to set up a process for regular, rigorous evaluation of tax incentives.

As lawmakers across the country look for ways to create jobs, raise wages, and help local economies thrive, tax incentives are among the primary tools used to achieve these economic development goals. They also collectively cost governments many billions of dollars per year. In order to balance the benefits of incentives with their costs, regular evaluation is a proven way to ensure that tax incentive programs are successfully serving the needs of states' budgets, economies, and taxpayers.

Nearly 30 states, including your neighbors –Nebraska, Oklahoma, Colorado, and Missouri – have enacted laws either requiring evaluation of tax incentives or improving existing evaluation processes. The resulting evaluations have provided reliable information on the economic and fiscal impacts of incentives, including the extent to which they're successfully influencing business behavior, and their effects on state budgets. These studies have also uncovered flaws in the design or administration of incentives, and have recommended improvements.

Currently, Kansas lacks a process for regularly evaluating incentives, but Senate Bill 448 would change that. I'm going to discuss some of the ways that SB 448 aligns with Pew's research, and with strategies that other states are using. First, under SB 448, all economic development incentive programs would be evaluated, including both tax incentives and cash incentives such



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as grants and loans. The resulting reports would provide Kansas lawmakers with important information on the results of a range of incentives, helping you invest in the ones that get the best results. This scope mirrors the approach used in other states, including Florida, Oklahoma, and Virginia – all of which are national leaders in tax incentive evaluation.

In order to produce an informed and impartial judgment on the results of economic development incentive programs, our research shows that offices selected to evaluate tax incentives should have a non-partisan perspective, relevant expertise in fiscal analysis and program evaluation, and an ability to draw policy-relevant conclusions. LPA's role as the evaluation office under SB 448 fulfills these criteria.

Next, most state evaluation processes study economic development incentives on a three to six-year cycle, so the five-year cycle proposed in SB 448 fits well within that standard range. Our research shows that a rotating cycle of this length strikes an appropriate balance of allowing both evaluators and legislators to focus in depth on a subset of incentives every year, while still ensuring that lawmakers regularly receive information on all major incentives.

Finally, the bill provides that Legislative Post Audit staff may include – to the extent practicable – an analysis of a number of factors, including: each incentive program's goals; an estimate of incentives' economic and fiscal impacts; the extent to which incentives change business behavior; an assessment of whether adequate protections are in place to ensure that the fiscal impact of the incentive does not increase substantially beyond the state's means or expectations in future years; and an assessment of whether the incentive is achieving its goals. These criteria for the evaluation strike a balance between ensuring that LPA's studies are consistently high-quality, and also offering LPA some degree of flexibility to provide the information that is most relevant for each incentive.

In almost every case, evaluation legislation has received strong bipartisan support across the country. These bills have also brought together supporters and skeptics of incentives alike, who agree on the need for better information.

Once this information is available, lawmakers in states such as Florida, Indiana, Maryland, Missouri, North Dakota, and Oklahoma, have used it to make policy decisions. They have expanded and extended incentives that are working well and reformed or ended those that are not, leading to better outcomes for businesses, workers, and the state budget. By regularly evaluating tax incentives, Kansas can achieve similar results.

Thank you for your time and attention, and I'm happy to answer any questions.