

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 **by the joint** 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) "**Joint** committee" shall mean the ~~joint economic development~~
8 ~~incentive review committee established in section 2, and amendments~~
9 ~~thereto~~ **senate committee on commerce and the house committee on**
10 **commerce, labor and economic development meeting jointly together as**
11 **provided in this act.**

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

18 (c) "Post auditor" shall mean the post auditor established in K.S.A.
19 46-1102, and amendments thereto.

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

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

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

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

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

1 commerce, labor and economic development or the house committee on
2 taxation; and

3 ~~(5) one member selected by the chairperson of the legislative post
4 audit committee, who is a member of the legislative post audit committee.~~

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

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

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

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

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

32 Sec. 3. ~~(a) *The joint committee shall meet during the 2019 regular
33 session of the legislature, and each regular session thereafter, on the call
34 of the chairperson.*~~

35 ~~(b) *A quorum of the joint committee shall be the combined quorum
36 of the senate committee on commerce and the house committee on
37 commerce, labor and economic development. All actions of the
38 committee may be taken by a majority of those present when there is a
39 quorum. In odd-numbered years the chairperson of the joint committee
40 shall be the chairperson of the house committee on commerce, labor and
41 economic development and the vice-chairperson shall be the chairperson
42 of the senate committee on commerce from the convening of the regular
43 session in that year until the convening of the regular session in the next*~~

1 *ensuing year. In even-numbered years the chairperson of the joint*
2 *committee shall be the chairperson of the senate committee on*
3 *commerce and the vice-chairperson shall be the chairperson of the*
4 *house committee on commerce, labor and economic development from*
5 *the convening of the regular session of that year until the convening of*
6 *the regular session of the next ensuing year.*

7 (c) The *joint* committee shall develop an inventory of all Kansas
8 economic development incentives. In determining whether a program is an
9 economic development incentive, the committee may consider legislative
10 intent, whether the program is promoted as an incentive by any state
11 agency, or other factors deemed relevant. The committee shall update this
12 inventory annually.

13 ~~(b)~~(d) The *joint* committee shall develop a schedule ensuring that
14 economic development incentives are evaluated at least once every five
15 years by the post auditor as directed by the committee. The schedule shall
16 include all economic development incentives, except those exempted by
17 the committee from evaluation. The schedule may be adjusted and updated
18 as necessary by the committee on an ongoing basis.

19 ~~(e)~~(e) In addition to the criteria for economic development incentive
20 evaluations listed in section 4, and amendments thereto, the *joint*
21 committee may develop additional criteria to be used by the post auditor to
22 evaluate an incentive.

23 ~~(d)~~(f) The *joint* committee shall accept the report of the post auditor
24 and hold a public hearing on each economic development incentive
25 evaluation completed by the post auditor.

26 ~~(e)~~(g) The *joint* committee shall prepare a written report to the
27 legislature on each evaluation following the completion of the public
28 hearing. The *joint* committee *report* may include recommendations ~~and~~,
29 comments on the evaluations or the incentives under review ~~in the report~~
30 *and recommendations for legislation*. The *joint* committee may request
31 the post auditor to conduct further investigation or inquiry based upon the
32 initial report and issue a supplemental report to the committee. ~~The~~
33 ~~committee may introduce legislation.~~

34 ~~(f)~~(h) The *joint* committee shall develop policy guidelines, eligibility
35 requirements and criteria for enacting specific individual sales tax
36 exemptions requested by for profit, nonprofit, religious or charitable
37 organizations or businesses, and may introduce legislation incorporating
38 the committee's recommendations.

39 Sec. 4. (a) The post auditor shall evaluate economic development
40 incentives according to the schedule developed by the *joint* committee, as
41 provided in section 3, and amendments thereto.

42 (b) The post auditor's evaluations of economic development
43 incentives may include to the extent practicable and as directed by the

1 *joint* committee:

- 2 (1) A description of the history of the incentive and its goals;
- 3 (2) a literature review of the effectiveness of this type of incentive,
4 including an inventory of similar incentives in other states;
- 5 (3) an estimate of the economic and fiscal impact of the incentive.
6 This estimate may take into account the following considerations in
7 addition to other relevant factors:
- 8 (A) The extent to which the incentive changes business behavior;
- 9 (B) the results of the incentive for the economy of Kansas as a whole,
10 including both positive direct and indirect impacts and any negative effects
11 on other Kansas businesses; and
- 12 (C) a comparison to the results of other incentives or other economic
13 development strategies with similar goals;
- 14 (4) an assessment of whether adequate protections are in place to
15 ensure the fiscal impact of the incentive does not increase substantially
16 beyond the state's means or expectations in future years;
- 17 (5) an assessment of whether the incentive is being administered
18 effectively;
- 19 (6) an assessment of whether the incentive is achieving its goals;
- 20 (7) recommendations for how Kansas can more effectively achieve
21 the incentive's goals;
- 22 (8) recommendations for any changes to state policy, rules and
23 regulations or statutes that would allow the incentive to be more easily or
24 conclusively evaluated in the future. These recommendations may include
25 changes to collection, reporting and sharing of data, and revisions or
26 clarifications to the goal of the incentive; and
- 27 (9) any other information the auditor deems necessary to assess the
28 effectiveness of the incentive and whether it is achieving its goals.
- 29 (c) The post auditor shall complete an initial one-time study, to be
30 completed by July 1, 2019, to determine the purpose of each incentive, the
31 data available, and what additional information may be needed to facilitate
32 future high-quality evaluations. The report shall be provided to the joint
33 ~~economic development incentive review~~ committee at the first meeting of
34 the committee following the completion of the report.
- 35 (d) In conducting evaluations for the joint ~~economic development~~
36 ~~incentive~~ committee, the post auditor shall have all powers and access to
37 information as well as be subject to the same duty of confidentiality as
38 provided by the legislative post audit act.
- 39 Sec. 5. This act shall take effect and be in force from and after its
40 publication in the statute book.