

March 19, 2024

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2788 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2788 is respectfully submitted to your committee.

HB 2788 would require the Secretary of Commerce to provide the Legislature with a summary report as a readily accessible reference for reviewing the state's investment in economic development incentive programs. The report would summarize information currently provided in various statutorily required reports as well as information on the total number of businesses and individuals who have participated in economic development incentive programs, the total amount of benefits provided for each economic development incentive program, the maximum amount of remaining development incentive program obligations to benefit recipients, and a summary of a return-on-investment analysis of each development incentive program. The report would be due to the Legislature the second week of each regular legislative session beginning with the 2025 regular legislative session.

Under current law, the Department of Commerce is required to maintain an economic development incentive program database to collect and store incentive data from state agencies charged with administering economic development incentive programs that provide more than \$50,000 of annual incentives. The bill would require the database to be configured to provide comprehensive reports of the incentive data. The information would be required to be posted on the Department's Economic Development Incentive Program database for those programs that are active on January 1, 2026.

The bill would require cities and counties to report local economic development incentive program information to the Department of Commerce. Providing the information would be a

condition of commencing an economic development incentive program by a city or county on and after January 1, 2026. The information would be due to the Department within 30 days of the commencement of the program. The cities and counties would be required to provide annual updates on the programs. The Department would use this information to prepare the summary report for the Legislature. The bill would also expand the definition of an economic development incentive program to include community improvement districts, tax increment financing, business improvement districts, self-supported municipal improvement districts, Neighborhood Revitalization Act, Downtown Redevelopment Act, transportation development districts, public improvement districts, state tax and revenue bonds, industrial development bonds, Qualified Manufacturer Act, and federal enclave redevelopment districts.

Currently, the Kansas Taxpayer Transparency Act requires the Department of Administration to operate a single, searchable website accessible to the public that includes the state's annual expenditures, annual revenues, and annual bond indebtedness. The bill would require the Department to update its website to include grants awarded by state agencies that use state or federal funds and a list of applicants that applied for the grants, along with the applicant's name, county where the proposed project would be located, description of the proposed project, dollar amount requested, and the date the agency received the application. The information would be required to be posted within 30 days of awarding a grant.

The Department of Commerce indicates it would need to hire 2.00 Program Specialist FTE positions at a cost of \$189,000 from the State General Fund in FY 2025. The positions would create the new report and add the new reporting to the Department's database. The agency would work with more than 600 communities in Kansas to gather necessary information under HB 2788. The agency would also need to update its database to include the new reporting at an estimated cost of \$106,080 (480 hours X \$221/hour) from the State General Fund in FY 2025.

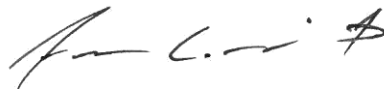
Under HB 2788, the Department of Administration and other state agencies that award grants would incur costs for accumulating, providing, and publishing the grant award data as well as implementation and maintenance costs that would need to come from each individual agency. Currently, the Department updates its website, KanView, once each year following the close of the fiscal year. The additional information the bill requires to be posted within 30 days would require affected agencies and the Department to implement monthly on-going maintenance efforts both to ensure application and award information is posted timely. The Department would expend \$15,000 from the State General Fund to develop a KanView portal in FY 2025 for agencies to upload the required data. The Department would hire an additional .95 FTE position to fulfill the requirement to report grant award information on KanView at an annual cost of \$72,930 from the State General Fund starting in FY 2025.

In FY 2023, there were 54 state agencies that awarded grants. The Department of Administration reports that none of the grant data required under the bill is available within the state's central accounting or payroll systems. The information resides with the individual agencies, and agencies generally use their own grant program administration systems and processes. The State of Kansas recently implemented an eCivis software program which provides grant-tracking capabilities; however, it is anticipated that some state agencies with existing systems would retain those systems. The eCivis software contract is currently being paid by the Office of Recovery

with federal funds at a cost of \$262,680. However, the agencies that would use the system would assist in paying that cost at some point in the future. Those agencies that retain their current systems would incur a one-time interface development cost of \$36,120 that would be paid to the Department in FY 2025. Those agencies would also incur ongoing maintenance costs of an unknown amount. The Department estimates that there would be 300 users from various agencies that would utilize the eCivis software. Each agency would pay an annual user license fee of \$375 per user, which would total \$112,500 (300 users X \$375) in FY 2025. The total cost for FY 2025 would be \$236,550 from various funding sources and FY 2026 would cost \$185,430 from various funding sources. The total costs for FY 2025 and FY 2026, does not include the \$262,680 for the eCivis software contract because it is already being paid for by the Office of Recovery, as noted above. Any fiscal effect associated with HB 2788 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the counties and cities could require additional staff to report data required by HB 2788; however, the Association and the League are unable to estimate the costs for additional staff.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties
Sherry Rentfro, Department of Commerce
Lynn Robinson, Department of Revenue
Tamara Emery, Department of Administration
Brian Reiter, Office of Information Technology Services