In Kansas City’s metropolitan area, there is a long history of businesses crossing the Kansas-Missouri border — lured by one of the two states’ tax breaks and financial incentives. “It’s a zero-sum game when incentives are given to move a company just a few miles from where it was,” says Rep. Kristey Williams, a member of the Kansas House Commerce, Labor and Economic Development Committee. “Essentially, taxpayers lose.”

Could this traditional type of interstate competition be replaced by an interstate collaboration, or cease-fire? Smaller- and large-scale ideas were being proposed in the nation’s state legislatures in early 2019, including a bill known as the “border war bill” in Missouri. Passed by the state Senate in late February, SB 182 would prohibit state incentives from being offered to companies located in four Kansas border counties. Kansas would have to adopt a comparable ban for SB 182 to take effect.

According to Missouri Sen. Mike Cierpot, the bill’s sponsor, the two states have “spent over $335 million shuffling businesses back and forth over state lines … by moving a matter of miles, or in some cases blocks.”

Lawmakers in other states, meanwhile, are envisioning a much broader approach: an interstate compact that would ban participating states from offering company-specific subsidies. This compact legislation was introduced in New York as A 5249, and dubbed by supporters as the “End Corporate Welfare Act.” Governing magazine reported in February that Illinois was among about six other states where the measure could be introduced.

The proposed compact is at least in part a reaction to Amazon’s recent bidding and review process as it looked at sites for its new North American headquarters. Several Midwestern cities and states made bids; none were successful.

The e-commerce giant instead chose two locations, in northern Virginia and New York City, though its plans for the Long Island City location were later dropped due to local backlash. The entire process, meanwhile, raised concerns about the use of government subsidies, especially for businesses as big and profitable as Amazon.

Efforts in the past to end corporate bidding wars among states have not succeeded. However, legislators have adopted new policies in recent years to bring more accountability to existing tax-incentive programs — for example, requiring more transparency, legislative oversight and review, and data-driven analysis of the impact of subsidies.

In Kansas, with the introduction of HB 2006, Rep. Williams is hoping to bring her state more in line with other states that have added these types of evaluation criteria and requirements. “We will better be able to identify if the investments we are making are actually bringing a return back to Kansas,” she says.

HB 2006 would require:

- a database (searchable by geographic location, recipient and program type) of all incentives from programs that provide $50,000 or more in annual claims; and
- an analysis by Kansas’ legislative auditors that evaluates each state incentive, including an estimate of the economic and fiscal impacts as well as a calculation of the return on investment vs. the cost of the program.

By:
Friday, March 22, 2019 at 05:11 PM