

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Julia Lynn at 8:35 a.m. on Wednesday, February 25, 2015, 548-S of the Capitol.

All members were present except:

Senator Molly Baumgardner – Excused

Senator Susan Wagle – Excused

Committee staff present:

Reed Holwegner, Legislative Research Department

Debbie Bartuccio, Kansas Legislative Committee Assistant

Norm Furse, Office of Revisor of Statutes

Edward Penner, Legislative Research Department

Conferees appearing before the Committee:

Chris Harris, Kansas Department of Commerce

Others in attendance:

[See Attached List](#)

Possible action on bills previously heard

There was no action on bills previously heard.

Presentation on:

Chairperson Lynn recognized Chris Harris, Kansas Department of Commerce, who presented an overview of the Rural Opportunity Zones program and its economic impact. ([Attachment 1](#))

Mr. Harris stated the Kansas Department of Commerce, in conjunction with the Kansas Department of Revenue, administers the Rural Opportunity Zones Program (ROZ). ROZ was created in 2011 as a means of bringing new residents to areas of rural Kansas that had suffered population loss for decades. He said the program has proven to be a highly effective resource for rural counties to use in attracting new residents, and has become a model for other states.

Mr. Harris reported ROZ allows out-of-state residents who have moved to designated counties to receive state income tax waivers for up to five years. In addition, ROZ counties may offer student loan repayments (SLR) of up to \$15,000 to qualified new residents. As the student loan repayment program is a shared cost between the state and the county, ROZ counties must opt-in to this portion of the program.

He stated the Legislature has expanded the ROZ program twice. The first expansion occurred in 2013, when 23 new counties were added to the 50 that were originally part of the program. In 2014, the Legislature added four more counties, bringing the current total to 77 counties that are eligible to participate in the ROZ. Of these 77 counties, 70 have opted to partner with the state in the student loan repayment program.

CONTINUATION SHEET

MINUTES of the Committee on Commerce at 8:35 a.m. on Wednesday, February 25, 2015, 548-S of the Capitol.

In 2014, the Department of Revenue estimates that 330 individuals will receive income tax waivers through the ROZ program with the state foregoing \$800,000 in revenue. The income of these individuals is approximately \$29.9 million, for an economic impact of more than \$44 million to Kansas.

Mr. Harris indicated a key difference between the economic impacts for the state between the two programs is that all individuals receiving income tax waivers are new residents of Kansas, while many of the SLR participants are existing Kansas residents who are new to rural areas. Therefore, the income of these individuals is not counted as new to the state. However, in many cases the SLR portion of ROZ acts as a retention program that keeps new graduates of Kansas colleges and universities in the state. While their income is not counted as a benefit, it is possible that it would have otherwise been lost. Furthermore, the income of these residents is new to rural counties, which gain a tremendous positive impact from new workers.

Mr. Harris' report included information concerning the Student Loan Repayment Program and a Participant Survey. In addition, the following tables were provided:

- Table 1: Economic Benefit to the State of Rural Opportunity Zones State Income Tax Waiver Program
- Table 2: Economic Benefit to the State of the Rural Opportunity Zones Student Loan Repayment Program
- Table 3: Economic Benefit to Counties of the Rural Opportunity Zones Student Loan Repayment Program
- Table 4: Population Changes

While acknowledging the decline in rural population in Kansas, there was discussion concerning the overall effectiveness of the program. Chairperson Lynn requested additional detailed data to specifically demonstrate how the ROZ program is being utilized by Kansas students. Senator Melcher commented agricultural property tax exemptions had shifted tax burdens in rural areas to homes and businesses. Senator Holland stated the ROZ program is only one of many state programs which need further evaluation in light of the current budget situation in Kansas.

At the conclusion of the question and answer session, Chairperson Lynn adjourned the meeting at 9:25 a.m. The next meeting is scheduled for March 4, 2015.