

SESSION OF 2006

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 324**

As Agreed to May 8, 2006

Brief*

SB 324, as amended, would make the following changes:

- The bill would increase the Rural Business Development Tax Credit and the Kansas Community Entrepreneurship Tax Credit from 50 percent to 75 percent; however, the total amount of credits allowed under each program would not exceed \$2,000,000 in FY 2007 which is current law.
- The bill would make the provisions relating to the tax credit applicable to all taxable years beginning after December 31, 2004.
- The bill would move the Kansas Community Entrepreneurship Fund to the Kansas Center for Entrepreneurship. The Fund is currently part of the Kansas State Treasury.
- The bill would allow the Kansas Community Entrepreneurship Fund to receive contributions of cash or property other than used clothing in an amount or value of \$250 or more. Under current law, contributions are limited to cash.
- The bill would delete the language that requires Kansas Department of Commerce to reimburse the Kansas Center for Entrepreneurship for the costs of administration of the program.
- In addition to the current law provision allowing the Center for Entrepreneurship to grant funds to local and regional economic development organizations, the bill would permit the Center also to lend those funds to create a revolving loan fund.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. The conference committee summary report may be accessed on the Internet at <http://www.kslegislature.org>

The bill also would change the eminent domain requirements for tax increment financing (TIF) and sales tax and revenue (STAR) bond statutes. The bill would require that:

- Any property acquired by use of eminent domain that is sold, transferred, or leased to a developer for a specific redevelopment project could only be used for the specific approved redevelopment project.
 - If the developer does not utilize the entire tract of the property acquired, that portion of property not used could not be sold, transferred, or leased by the developer to another developer or party, but only deeded back to the city.
 - If the developer paid the city for the land, a percentage of the original purchase price paid to the city which represents the percentage of the entire tract being deeded back would be reimbursed to the developer.
- Any transfer by the redevelopment project developer of property acquired by eminent domain would require a two-thirds majority vote of the elected governing body of the city.

Finally, the bill would require the Department of Commerce to provide workforce training to every older Kansan who qualifies for the training programs. Older Kansan is defined as a resident of the state of Kansas who is 55 years of age or older.

The Secretary of Commerce is directed to prepare a strategic plan with the appropriate state plan amendments, in coordination with the Area Agencies on Aging (AAAs) and the Older Kansans Employment Program (OKEP), and present it to the Legislature by August 1, 2006. The same report would be required whenever the state plan is amended after December 1, 2006.

The bill would set forth specific criteria for inclusion in the strategic plan including use of resources to ensure workforce development for every older Kansan, minimum expenditures for older Kansans' workforce development, program examples, criteria for measuring program effectiveness, designated target areas for funding and the source, program development, and marketing plans.

Conference Committee Action

The Conference Committee agreed to the House amendment and further amended the bill to reflect that the provisions of the act would be applicable to all taxable years beginning after December 31, 2004, as the tax credits are based on fiscal year and not taxable year. This is a change from the House amendments which had a date of December 31, 2005. In addition, the Conference Committee agreed to include in the bill the provisions of SB 319, as amended by the Senate, which deal with eminent domain requirements for tax increment financing (TIF) and sales tax and revenue (STAR) bond statutes. Finally, the conference committee agreed to include in the bill the provisions of House Sub. for SB 260, as amended by the House, which deal with a strategic plan for work force development programs.

Background

The bill was requested by the Kansas Department of Commerce who testified as a proponent of the changes. In addition, representatives of the Kansas Center for Entrepreneurship, North Central Regional Planning Commission, and Kansas Small Business Development Center appeared as proponents of the bill.

The Senate Committee amended the bill, at the request of Kansas Department of Commerce, by allowing the tax credits to be retroactive and to delete the language that requires the Kansas Department of Commerce to reimburse the Kansas Center for Entrepreneurship for the costs of administration of the program. At the suggestion of Senator Barone, the bill was further amended by removing services as a listed contribution.

The House Committee amended the bill to remove retroactivity for the tax credits.

Senator Jordan appeared in support of SB 319. A representative of the League of Kansas Municipalities appeared in opposition to SB 319 because the original bill was unclear how the percentage amount would be calculated and whether the intent of the bill was to prohibit the conveyance by one developer to another developer of all property in the redevelopment area regardless of how it was acquired.

The Senate Committee amended SB 319 by clarifying the language about the percentage would be based on the original

purchase price if the property was paid for by the developer. The staff explained that the transfer of land from one developer to another developer was only prohibited when eminent domain was used to acquire the land.

House Sub. for SB 260 was introduced as HB 2993. Representative Ed O'Malley spoke in support of the bill, as did representatives of the Area Agencies on Aging, American Association of Retired Persons (AARP), the Silver Haired Legislature, and the North Central/Flint Hills Agency on Aging. There were no opponents to the bill.

The House Committee on Economic Development amended the bill to change all references from senior citizen(s) to older Kansan(s). The Committee added coordination with the AAAs and OKEP in developing the strategic plan, as well as the reporting requirement each time the state plan is amended. In addition, the Committee added requirements to the strategic plan for designation of target areas and funding sources, inclusion of program details, and a marketing plan.

The fiscal note on House Bill 2993 indicates that the Department of Commerce would need \$65,000 from the Economic Development Initiatives Fund and 1.0 FTE position to complete the strategic plan.

The fiscal note on SB 324 indicates that enactment of the bill would not affect state revenues. The Department of Revenue indicates enactment of the bill would require modifications to the automated tax system. The required programming for this bill by itself is expected to total 440 hours of in-house programming. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the department's current budget may be required.