SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2551

As Amended by Senate Committee on Commerce

Brief*

HB 2551 would authorize the Department of Commerce to distribute two types of bonds called recovery zone bonds and energy conservation bonds to counties and large municipalities in Kansas pursuant to the allocation methods specified in §§ 1400U-1 and 54D(e)(1) of the federal Internal Revenue Code, respectively. The allocation formula for the recovery zone bonds is based upon unemployment rates in 2008, and for the energy conservation bonds the allocation is based upon total population. For the purposes of these two bonds, a large municipality is defined by federal statute to mean a city with a population greater than 100,000. The bill would grant rule-making authority to the Commerce Department to administer provisions of the act.

Recovery Zone Bonds

The bill would direct the Department of Commerce to give notice to each county and large municipality of its allotment. These units of local government may waive their usage of these bonds at any time. However, the bonds' usage would be deemed to be waived if, 60 days after the allocation notice, a local unit of government has not given the Department of Commerce written notice of intent to issue recovery zone bonds.

Recovery zone bonds also would be deemed to be waived if a county or large municipality did not issue bonds by June 30,

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

2010, after which time any county or municipality may apply to the Department for the remaining recovery zone bonds. Recovery zone bonds may be used for one or more qualified economic development purposes which may include capital expenditures for property, public infrastructure, public facilities, and job training and educational programs.

Qualified Energy Conservation Bonds

The provisions and deadlines with regard to notice, the waiving of bond usage, and deadline for bond issuance would be the same for qualified energy conservation bonds. Unlike recovery zone bonds, energy conservation bonds are allocated each year. After June 30 of each year, a county or municipality may apply to the Department for any unissued bonds. Qualified energy conservation bonds may be used for:

- Capital expenditures spent for energy reduction purposes;
- Research facilities and research grants for the study of alternative energy sources;
- Demonstration projects designed to promote the commercialization of alternative energy technologies; and
- Public education campaigns to promote energy efficiency.

Background

The bill was introduced at the request of the Department of Commerce. According to the agency's testimony, the recovery zone bonds were authorized by the American Recovery and Reinvestment Act (ARRA) that Congress passed in 2009. The recovery zone bonds are one type of taxable Build America Bonds that allows the federal government to reimburse local units of government for 45 percent of the interest paid. The qualified energy conservation bonds were authorized by Congress in 2008 and then expanded in the ARRA legislation. These bonds allow the bond issuer to pay back only the principal to the bondholder, and the bondholder receives a federal tax credit in lieu of interest.

The Senate Committee on Commerce made one technical amendment to clarify the provisions of the bill.

There was no opponent testimony. The fiscal note prepared by the Division of the Budget indicates that the bill would not have an impact to the revenues or expenses of the state.