

**Proposed**

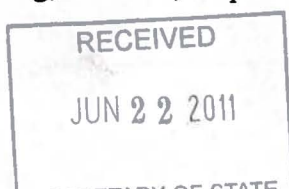
**State of Kansas  
Department of Commerce  
Notice of Hearing on Proposed Administrative Regulations**

A public hearing will be conducted at 2:30 p.m. on Wednesday, September 7, 2011, in the main conference room, Kansas Department of Commerce, first floor, Suite 100, Curtis State Office Building, 1000 S.W. Jackson, Topeka, to review new regulations K.A.R. 110-22-1 through 110-22-6 relating to the Rural Opportunity Zone Act, 2011 SB 198.

This 60-day notice of the public hearing shall constitute a public comment period for submitting written public comments on the proposed regulations.

The public is invited to submit written comments concerning the Rural Opportunity Zone regulations to the Kansas Department of Commerce, prior to the public hearing, as follows: by e-mail at [legal@kansascommerce.com](mailto:legal@kansascommerce.com) or by mail to Pat George, Secretary of Commerce, Curtis State Office Building, 1000 S.W. Jackson, Suite 100, Topeka, Kansas 66612-1354. The public shall be given a reasonable opportunity to present their views orally on these regulations during the hearing. In order to give all parties an opportunity to present their views, it may be necessary to request that each participant limit any oral presentation to five minutes. All public comments submitted during this period will be made part of the regulation's written record.

Any individual with a disability may request accommodation in order to participate in the public hearing and may request the regulations and economic impact statements in an accessible format. Requests for accommodation should be made at least ten working days in advance of the hearing to Merrill J. Hicklin Befort at the Kansas Department of Commerce, Curtis State Office Building, 1000 S.W. Jackson, Suite 100, Topeka, Kansas 66612-1354 or by phone at (785) 291-3891. Handicapped parking is not available around the Curtis State Office Building; however, all persons in a vehicle with a handicapped license plate may park in any



metered space around the building, and there is no charge for parking. The curbs and all entrances on Jackson Street, 10<sup>th</sup> Street, and Kansas Avenue to the Curtis State Office Building are accessible to individuals with disabilities.

Copies of the regulations and economic impact statements may be accessed at <http://www.kansascommerce.com/AboutUs/CommerceRegulations>. A summary of the regulations and economic impact follows:

**K.A.R. 110-22-1. Definitions used to administer the Rural Opportunity Zone Act.**

**K.A.R. 110-22-2. Application for tax credit program and student loan repayment program.** This regulation provides additional requirements that each applicant must submit to the secretary to determine eligibility.

**K.A.R. 110-22-3. Determination of Eligibility.** Provides the process for final eligibility determination.

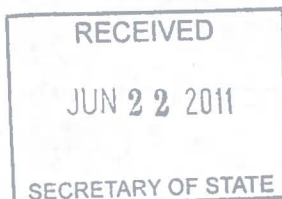
**K.A.R. 110-22-4. Appeal Process.** This regulation provides a procedure to allow reconsideration of eligibility determination. It provides that decisions on reconsiderations shall be final agency action and subject to review under the Kansas Judicial Review Act (KJRA).

**K.A.R. 110-22-5. Resolution by county; intent to participate in student loan repayment program.**

**K.A.R. 110-22-6. Repayment of outstanding student loan balance.** Sets forth the procedure Commerce will follow in administering the payment to lending institutions.

**Anticipated Economic Impact Financial Impact Upon Governmental Entities, Private Businesses or Individuals and the Kansas Department of Commerce.** The Kansas Department of Commerce has estimated that the student loan repayment program will increase and encourage rural county growth based upon the following factors:

- 10 Eligible Individuals are enrolled by each of the 50 Rural Opportunity Zone counties;
- Each Eligible Individual has an outstanding student loan balance of \$15,000;
- The State will, as a result of the enrolled persons and respective loan balances, pay \$750,000 annually to match the county student loan payments; and
- The median wage for the 50 ROZ counties is \$14.94 per hour. (*Median wage determined via Kansas Department of Labor 2010 Kansas Wage Survey*)





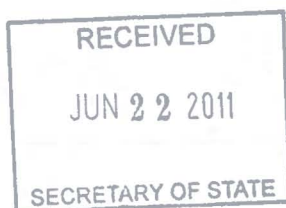
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Based upon these factors, 500 jobs will be generated by new residents during the five year period. Payroll generated by new residents during the five year period will be \$15,537,600. The direct economic impact to the State of Kansas during this five year period of earnings, using a 1.45 multiplier (2005 RIMS Data), would be \$22,529,520 in earnings for the 50 counties. The indirect job growth would be 340 additional jobs using the 1.68 multiplier (2005 RIMS Data). The present value of economic activity generated by the new residents is \$15,399,948. The present value is calculated with a 7% discount rate.

For the economic impact of the tax credit program to the state, county and individuals, please refer to the Fiscal Note for SB 198 by the Senate Committee on Assessment and Taxation.

The long-term economic impact would be positive to local governments and businesses across the State. Since the programs are designed to promote job growth and job retention, a broader business climate would be created in Kansas.

Pat George  
Secretary of Commerce



**Article 22. Student Loan Repayment Program and Tax Credit Program**

**110-22-1. Definitions.** As used in these regulations and for purposes of administering the act, the following terms shall have the meanings specified in this regulation: (a) "Act" means the rural opportunity zone act, 2011 SB 198 and amendments thereto.

(b) "County" means a county listed as a "rural opportunity zone" in 2011 SB 198, sec. 1(b), and amendments thereto.

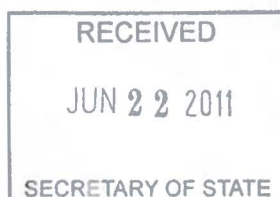
(c) "Department" means the Kansas department of commerce.

(d) "Domicile" means the physical location where an individual intends to permanently reside. The following factors may be considered in determining whether or not an individual meets the eligibility requirements of the act, although none of these factors by itself shall be a determinant of domicile:

- (1) Acceptance or an offer of permanent employment;
- (2) admission to a licensed practicing profession in Kansas;
- (3) registration of a vehicle in a county designated by the act;
- (4) the location at which the individual votes or is registered to vote;
- (5) a Kansas driver's license; and
- (6) lease of living quarters or ownership of a home in a county designated by the act.

(e) "Eligible participant" means an individual who has met all eligibility requirements of the act.

(f) "Participating county" means a county, as defined in this regulation, that has enacted a resolution to participate in the student loan repayment program as specified in 2011 SB 198, sec. 3, and amendments thereto.



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(g) "Student loan repayment program" means the program specified in 2011 SB 198, sec. 3, and amendments thereto.

(h) "Tax credit program" means the program specified in 2011 SB 198, sec. 2, and amendments thereto. (Authorized by 2011 SB 198, sec. 3 and K.S.A. 2010 Supp. 74-5002r; implementing 2011 SB 198, secs. 1, 2, and 3; effective, T-\_\_\_\_\_, \_\_\_\_\_; effective P-\_\_\_\_\_.)

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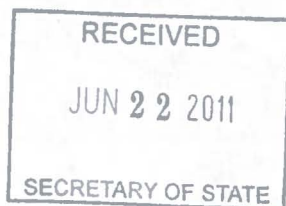
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**110-22-2. Application for tax credit program and student loan repayment program.**

(a) Each applicant shall submit the application and any supporting documentation to the secretary to determine eligibility for the tax credit program or the student loan repayment program, or both.

(b) Each application shall contain the following for each applicant:

- (1) Name;
- (2) telephone and electronic mail address;
- (3) current address and, if different, intended address;
- (4) social security number;
- (5) county of current residence or future intended domicile;
- (6) if applicable, Kansas state income tax returns for the five years immediately preceding the date of application;
- (7) list of all addresses where the applicant has resided during the five years immediately preceding the date of application;
- (8) list of previous employers' names and addresses for the five years immediately preceding the date of application;
- (9) prospective employer's name, address, and county;
- (10) if applicable, proof of degree earned;
- (11) anticipated date for moving to the county;
- (12) a short description of why the individual intends to move to the county;
- (13) if applicable, proof of a Kansas professional license;



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(14) if applicable, the balance of each student loan on the date of submission of the application and the name and address of each loan institution; and

(15) any other relevant information that the secretary deems necessary.

(c) Notification that the applicant has applied for the tax credit program or student loan repayment program, or both, shall be electronically forwarded by the department to the county designated in that application.

(d) The county may, within 15 days of the department's electronic notification, provide any supplementary information regarding the applicant to the department for consideration. (Authorized by 2011 SB 198, sec. 3 and K.S.A. 2010 Supp. 74-5002r; implementing 2011 SB 198, secs. 2 and 3; effective, T-\_\_\_\_\_, \_\_\_\_\_; effective P-\_\_\_\_\_.)

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**110-22-3. Determination of eligibility.** (a) A preliminary determination of whether each applicant is eligible to participate in either the tax credit program or the student loan repayment program, or both, shall be made by the secretary.

(b) For each preliminary determination of eligibility, the following shall be notified by the department:

(1) For the tax credit program, the Kansas department of revenue, the county, and the applicant; and

(2) for the student loan repayment program, the applicant and the county.

(c) If the applicant is initially approved as eligible for either or both programs, the applicant and the county shall be provided by the secretary with a preliminary determination setting forth the conditions for final program eligibility.

(d) Final program eligibility shall be conditioned upon applicant's submission of all requested documentation to the department, including the following:

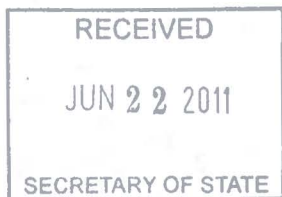
(1) Student loan documents;

(2) transcript for an associate, bachelor's, or postgraduate degree; and

(3) proof of having established domicile in the participating county.

(e) If the applicant meets the requirements for preliminary determination, a determination of final eligibility for the resident individual to participate in either the student loan repayment program or the tax credit program, or both, shall be issued by the secretary.

(f) Any applicant or county may appeal a preliminary or final determination of eligibility by the secretary as specified in these regulations. (Authorized by 2011 SB 198, sec. 3



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and K.S.A. 2010 Supp. 74-5002r; implementing 2011 SB 198, secs. 2 and 3; effective, T-  
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**110-22-4. Appeal process.** (a) If an application for preliminary determination is not approved or if final eligibility determination is denied, each reason for the denial shall be provided in writing to the applicant by the secretary. The applicant may ask for reconsideration of either the preliminary determination or final eligibility determination within 30 calendar days after the date of the decision. If the applicant does not ask for reconsideration within 30 calendar days of the date of the decision, the decision shall become a final agency action. The county shall be notified of any application denied by the secretary.

(b) The county may ask for reconsideration of the decision of the secretary within 30 calendar days after the date of either the preliminary determination or final eligibility determination. If the county does not ask for reconsideration within 30 calendar days of the date of the secretary's decision, the decision shall become a final agency action.

(c) Each decision on reconsideration shall be the final agency action and shall be subject to review under the Kansas judicial review act, K.S.A. 77-601 et seq. and amendments thereto. (Authorized by 2011 SB 198, sec. 3 and K.S.A. 2010 Supp. 74-5002r; implementing 2011 SB 198, secs. 2 and 3; effective, T-\_\_\_\_\_, \_\_\_\_\_; effective P-\_\_\_\_\_.)

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**110-22-5. Resolution by county; intent to participate in student loan repayment program.** (a) As required by the act, each county intending to participate in the student loan repayment program shall provide the department with a copy of the county resolution. The county resolution shall contain the following statements:

(1) The county is listed as a rural opportunity zone, as defined by 2011 SB 198, sec. 1 and amendments thereto.

(2) The county is obligated to participate in the student loan repayment program for an enrollment period of five years.

(3) The county obligation to each eligible participant is for a repayment period of five years.

(4) The county agrees to pay, with the state of Kansas, equal shares of the outstanding student loan balance of any eligible participant.

(5) The student loan balance for each eligible participant, in an amount not to exceed \$15,000, will be repaid jointly by the county and the state of Kansas for a period of five years.

(6) The county will allocate monies for the purpose of matching payments from the state of Kansas to eligible participants.

(7) The county will revise its student loan repayment budget on an annual basis and inform the department of any changes to the annual allocation.

(b) Each resolution shall be published once in the official county newspaper and shall be in effect from the date of its publication. (Authorized by 2011 SB 198, sec. 3 and K.S.A.

2010 Supp. 74-5002r; implementing 2011 SB 198, sec. 3; effective, T-\_\_\_\_\_,  
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**110-22-6. Repayment of outstanding student loan balance.** (a) Each participating county shall transmit funds to the department for repayment of the student loan within 30 calendar days after the end of each calendar year. Each participating county and each eligible participant shall be notified by the department of receipt of the funds.

(b) The following shall be performed by the department:

(1) Transmission of the state funds and participating county funds to the lending institution for repayment of each eligible participant's student loan;

(2) payment to the lending institution of the student loan repayment funds, which shall be within 30 calendar days of receipt of funds from the participating county; and

(3) notification to each participating county and eligible participant of the transmitted student loan payment.

(c) Repayment of student loan funds may be made directly to the eligible participant if both of the following conditions are met:

(1) The student loan has been paid in full during the preceding 12 months.

(2) The eligible participant has no other student loan debt. (Authorized by 2011 SB 198, sec. 3 and K.S.A. 2010 Supp. 74-5002r; implementing 2011 SB 198, secs. 2 and 3; effective, T-\_\_\_\_\_, \_\_\_\_\_; effective P-\_\_\_\_\_.)

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**KANSAS DEPARTMENT OF COMMERCE  
ECONOMIC IMPACT STATEMENT  
FOR  
PERMANENT AND TEMPORARY REGULATIONS**

**I. Summary of Proposed Regulations, Including Purpose.** The Kansas Department of Commerce (Commerce) is proposing new regulations K.A.R. 110-22-1 through 110-22-6 for the administration of the Rural Opportunity Zone Act, 2011 SB 198.

The Rural Opportunity Zone Act is being promulgated for the necessary administration of the act. The Rural Opportunity Zone Act was enacted to encourage population and economic growth in counties that have been losing population. First, out-of-state residents who permanently move to counties designated as Rural Opportunity Zone counties may be eligible, for a period of five years, to receive a full tax credit against their State of Kansas income tax liability. Individuals must meet certain program requirements to be eligible to participate in the tax credit program.

Second, rural opportunity zone counties may, through resolution, participate in the Student Loan Repayment program. To participate in the student loan repayment program, counties must adopt resolutions prior to January 1, 2012, obligating the counties to pay a portion of eligible participants' student loan payments for a period of five years. If a county opts into the student loan repayment program, the State of Kansas will match the student loan repayments made by the individual counties. As authorized by the Act, if the maximum repayment amount of \$15,000 were to be adopted by each participating county, the state and the participating county would each repay \$7,500 in equal increments over a five-year period, or \$1,500 per year per governmental entity.

The proposed regulations provide procedures to administer the act. The regulations provide an application process and a procedure to notify participating counties that the applicant has submitted an application for either or both the tax credit program or the student loan repayment program. A review process and appeal procedures are provided by the regulations. If the county decides to opt in the student loan repayment program, the requirements for the county resolution are provided and a procedure for disbursement of funds to pay the lending institutions is provided in these regulations.

**K.A.R. 110-22-1. Definitions used to administer the Rural Opportunity Zone Act.**

**K.A.R. 110-22-2. Application for tax credit program and student loan repayment program.** This regulation provides additional requirements that each applicant must submit to the secretary to determine eligibility.

**K.A.R. 110-22-3. Determination of Eligibility.** Provides the process for final eligibility determination.

**K.A.R. 110-22-4. Appeal Process.** This regulation provides a procedure to allow reconsideration, preliminary determination, and final eligibility determination. It provides that





decisions on reconsiderations shall be final agency action and subject to review under the Kansas Judicial Review Act (KJRA).

**K.A.R. 110-22-5. Resolution by county; intent to participate in student loan repayment program.**

**K.A.R. 110-22-6. Repayment of outstanding student loan balance.** Sets forth the procedure Commerce will follow in administering the payment to lending institutions.

**II. Federal Requirements.** The Rural Opportunity Zone Act does not have any federal requirements.

**III. Anticipated Economic Impact Financial Impact Upon Governmental Entities, Private Businesses or Individuals and the Kansas Department of Commerce.** Commerce has estimated that the student loan repayment program will increase and encourage rural county growth based upon the following factors:

- 10 Eligible Individuals are enrolled by each of the 50 Rural Opportunity Zone counties;
- Each Eligible Individual has an outstanding student loan balance of \$15,000;
- The state will, as a result of the enrolled persons and respective loan balances, pay \$750,000 annually to match the county student loan payments; and
- The median wage for the 50 ROZ counties is \$14.94 per hour. (*Median wage determined via Kansas Department of Labor 2010 Kansas Wage Survey*)

Based upon these factors, 500 jobs will be generated by new residents during the five year period. Payroll generated by new residents during the five year period will be \$15,537,600. The direct economic impact to the State of Kansas during this five year period of earnings, using a 1.45 multiplier (2005 RIMS Data), would be \$22,529,520 in earnings for the 50 counties. The indirect job growth would be 340 additional jobs using the 1.68 multiplier (2005 RIMS Data). The present value of economic activity generated by the new residents is \$15,399,948. The present value is calculated with a 7% discount rate.

For the economic impact of the tax credit program to the state, county and individuals, please refer to the Fiscal Note for SB 198 by the Senate Committee on Assessment and Taxation.

The long-term economic impact would be positive to local governments and businesses across the State. Since the programs are designed to promote job growth and job retention, a broader business climate would be created in Kansas.

**VI. Less Costly or Intrusive Methods That Were Considered, but Rejected, and the Reason for Rejection.** Commerce did not consider any alternatives.

