

## REPORTS OF STANDING COMMITTEES

MADAM PRESIDENT:

The Committee on **Commerce** recommends **HB 2006**, as amended by House Committee of the Whole, be amended on page 1, in line 14, by striking "each"; also in line 14, by striking "program" and inserting "programs, as defined in section 2, and amendments thereto,"; in line 15, by striking "identified" and inserting "selected"; also in line 15, by striking all after "committee"; by striking all in line 16; in line 17, by striking all before the period; also in line 17, after the period by inserting: "The evaluation procedure established by this section is intended to enhance and facilitate the ability of the legislature to fulfill its responsibility to evaluate and oversee economic development incentive programs. The oversight of economic development incentive programs is intended to remain with the legislature, independent of the legislative post audit committee. This section shall not be construed to limit, in any way, oversight of economic development incentive programs to the legislative post audit committee.";

On page 2, in line 3, by striking all after "(d)"; by striking all in lines 4 through 19; in line 20, by striking all before the period and inserting: "Evaluations shall be conducted with the goal of enabling evidence-based policy determinations by the legislature with respect to economic development incentive programs. To the extent reasonably possible, evaluations shall utilize direct and documented and primary-source evidence instead of secondary-source data. An evaluation shall include, as directed by the legislative post audit committee:

- (1) A description of the economic development incentive program, its history and its goals;
- (2) a literature review of the effectiveness of the incentive program type, including an

inventory of similar incentive programs in other states;

(3) an estimate of the economic and fiscal impact of the incentive program that may take into account the following considerations in addition to other relevant factors:

(A) The extent to which the incentive program changes business behavior;

(B) the results of the incentive program for the economy of Kansas as a whole, including both positive direct and indirect impacts and any negative effects on Kansas businesses; and

(C) a comparison with the results of other incentive programs or other economic development strategies with similar goals;

(4) an assessment of whether adequate protections are in place to ensure that the fiscal impact of the incentive program does not substantially increase beyond the state's means or expectations in future years;

(5) an assessment of the incentive program's design and whether the incentive program is being effectively administered;

(6) an assessment of whether the incentive program is achieving its goals;

(7) recommendations for how the state can more effectively achieve the incentive program's goals;

(8) recommendations for any changes to state policy, rules and regulations or statutes that would allow the incentive program to be more easily or conclusively evaluated in the future, which may include changes to collection, reporting and sharing of data, and revisions or clarifications to the goals of the incentive program;

(9) a return on investment calculation for the economic development incentive program. For purposes of this paragraph, "return on investment calculation" means analyzing the cost to and the benefits realized by the state or political subdivision for providing the economic development incentive program;

(10) the methodology and assumptions used in carrying out the reviews, analyses and evaluations required under this subsection, including an analysis of multiplier effects and a critique of the multiplier effect determination methodologies utilized in the evaluation report, including any determinations made using standard industry software models and any respective limitations or potential effects of such methods on outcomes;

(11) an analysis of significant opportunity costs of the incentive program at the state and local levels;

(12) any other information that the legislative post audit committee deems necessary to assess the effectiveness of the incentive program and whether it is achieving the goals of the incentive program; and

(13) all information, after redaction as necessary, by the post auditor to remove information that is confidential under state or federal law, required for publication pursuant to section 3, and amendments thereto, with respect to the economic development incentive program being evaluated";

Also on page 2, in line 34, by striking "income tax credit program" and inserting "economic development incentive program";

On page 3, in line 9, after "creation" by inserting "program"; in line 10, after "thereto" by inserting ", and the economic development initiatives fund established by K.S.A. 79-4804, and amendments thereto"; in line 17, after "agency" by inserting ". "Recipient" includes an enterprise that is no longer solvent due to bankruptcy, and a recipient, with respect to an economic development project that has failed"; in line 39, by striking "either"; also in line 39, by striking "or" and inserting "on a permanently accessible web page that may be accessed"; in line 40, after "link" by inserting "to that web page placed";

On page 4, in line 12, by striking "claimed and"; also in line 12, after "to" by inserting "and received by"; in line 38, by striking "claimed" and inserting "received";

On page 5, in line 12, after the semicolon by inserting "or"; in line 14, by striking the semicolon; by striking all in lines 15 through 20; in line 21 by striking all before the period; following line 24, by inserting:

"New Sec. 4. (a) In addition to any other reports by the secretary of commerce to the legislative post audit committee, the standing committee on commerce, labor and economic development of the house of representatives or the standing committee on commerce of the senate, otherwise required by law each year, commencing in 2020, the secretary of commerce shall make an oral presentation before the legislative post audit committee, the standing committee on commerce, labor and economic development of the house of representatives and the standing committee on commerce of the senate at mutually agreed times during the period from the commencement of the regular legislative session to the end of January, and shall provide a report to each such committee with respect to each economic development incentive program as defined by section 2, and amendments thereto.

(b) The report shall include the following, with respect to each economic development incentive program:

- (1) A summary of the program;
- (2) an annual update;
- (3) an analysis of economic impact data utilizing direct, primary-source or auditable data, to the extent such data is reasonably available, and excluding any tertiary or indirect effects of the economic development program; and
- (4) any other information or analysis specified by the committee.";

On page 12, following line 29, by inserting:

"Sec. 7. K.S.A. 12-5245 is hereby amended to read as follows: 12-5245. (a) Upon receipt of the approval of the secretary as provided in ~~subsection (e) of K.S.A. 12-5244(c), and amendments~~

thereto, the governing body may proceed with the establishment of the district. Before doing so, the governing body shall adopt a plan for the development or redevelopment of housing and public facilities in the proposed district. Such plan may include plans for one or more projects, and the length of any individual project shall not exceed ~~15~~ 25 years. The plan shall include, but not be limited to, the following:

(1) The legal description and map required by ~~subsection (a)~~ of K.S.A. 12-5244(a), and amendments thereto;

(2) the existing assessed valuation of the real estate in the proposed district, listing the land and improvement values separately;

(3) a list of the names and addresses of the owners of record of all real estate parcels within the proposed district;

(4) a description of the housing and public facilities project or projects that are proposed to be constructed or improved in the proposed district, and the location thereof;

(5) a listing of the names, addresses and specific interests in real estate in the proposed district of the developers responsible for development of the housing and public facilities in the proposed district;

(6) the contractual assurances, if any, the governing body has received from such developer or developers, guaranteeing the financial feasibility of specific housing tax incentive projects in the proposed district; and

(7) a comprehensive analysis of the feasibility of providing housing tax incentives in the district, as provided in this act, ~~which~~ that shows the public benefits derived from such district will exceed the costs and that the income therefrom, together with other sources of funding, will be sufficient to pay for the public improvements that may be undertaken in such district. If other sources of public or private funds are to be used to finance the improvements, they shall be identified in the

analysis.

(b) Prior to the adoption of the plan and designation of the district, the governing body shall adopt a resolution stating that the governing body is considering such action. The resolution shall provide notice that a public hearing will be held to consider the adoption of the plan and the designation of the district and contain the following elements:

- (1) The date, hour and place of the public hearing;
- (2) the contents of ~~paragraphs (1) through (4) in subsection (a) of this section~~ (1) through (4);
- (3) a summary of the contractual assurances by the developer and comprehensive feasibility analysis; ~~and~~
- (4) a statement that the plan is available for inspection at the office of the clerk of the city or county at normal business hours; and
- (5) a statement inviting members of the public to review the plan and attend the public hearing on the date announced in the resolution; and

(c) The date fixed for the public hearing shall be not less than 30 nor more than 70 days following the date of the adoption of the resolution. The resolution shall be published at least once in the official newspaper of the city or county, with the final publication being not less than one week or more than two weeks preceding the date fixed for the public hearing.

(d) A certified copy of the resolution shall be delivered to the planning commission of the city or county and the board of education of any school district levying taxes on property within the proposed district. If the resolution is adopted by a city governing body, a certified copy also shall be delivered to the board of county commissioners of the county. If the resolution is adopted by a county governing body, it also shall be delivered to the governing body of any city located within three miles of such proposed district.

Sec. 8. K.S.A. 2018 Supp. 12-5248 is hereby amended to read as follows: 12-5248. (a) (1)

Any city or county ~~which~~ that has established a housing incentive district as provided in this act may issue special obligation bonds to finance the implementation of the plan adopted for the district by the governing body. ~~Such~~ The special obligation bonds shall be made payable, both as to principal and interest:

(A) From property tax increments allocated to, and paid into a special fund of the city or county under the provisions of ~~subsection (b)~~ of K.S.A. 12-5250(b), and amendments thereto;

(B) from revenues of the city or county derived from or held in connection with the implementation of the project or projects in the district;

(C) from any private sources, contributions or other financial assistance from the state or federal government;

(D) from any financial sureties or other guarantees provided by the developer;

(E) from a pledge of any other lawfully available city or county revenue sources, including, but not limited to: ~~(1)~~ (i) A portion of all increased franchise fees collected from utilities and other businesses using public rights-of-way within the district; or ~~(2)~~ (ii) a portion of the sales and use tax revenues received by the city or county and collected pursuant to K.S.A. 12-187, and amendments thereto; or

(F) by any combination of these methods.

The city or county may pledge ~~such~~ the revenue to the repayment of ~~such~~ the special obligations bonds prior to, simultaneously with, or subsequent to the issuance of ~~such~~ the special obligation bonds.

(2) Bonds issued under this subsection shall not be general obligations of the city or county, ~~not~~ nor in any event, shall they give rise to a charge against the general credit or taxing powers of the city or county, or be payable out of any funds or properties other than any of those set forth in this subsection. ~~Such~~ The bonds shall ~~so~~ state such information on their face.

(3) The bonds issued under the provisions of this subsection shall be special obligations of the

city or county and are declared to be negotiable instruments. The bonds shall be executed by the mayor and clerk of the city or, in the case of counties, by the chairman of the board of county commissioners and clerk of the county, and shall be sealed with the corporate seal of the city or the seal of the county. All details pertaining to the issuance of ~~such the~~ special obligation bonds shall be determined by ordinance of the city or resolution of the county. All special obligation bonds issued pursuant to this act shall be exempt from all state taxes. The special obligation bonds shall contain none of the recitals set forth in K.S.A. 10-112, and amendments thereto. The special obligation bonds shall contain the following recitals, ~~viz.:~~ The authority under which ~~such the~~ special obligation bonds are issued; that they are in conformity with the provisions, restrictions and limitations thereof; ~~and that~~ ~~such the~~ special obligation bonds and the interest thereon are to be paid from the money and revenue received as provided in paragraph (1) ~~of this subsection.~~

(4) The maximum maturity on bonds issued to finance projects pursuant to this act shall not exceed ~~15~~ 25 years.

(5) Any city or county issuing special obligation bonds under the provisions of this act may refund all or part of ~~such the~~ issue pursuant to the provisions of K.S.A. 10-116a, and amendments thereto.

(b) In the event the city or county shall default in the payment of any special obligation bonds as authorized pursuant to ~~paragraph (1) of subsection (a)(1) of this section, and amendments thereto,~~ no public funds shall be used to pay the holders thereof except as otherwise specifically authorized in this act.

(c) Any and all terms, conditions, exclusions and limitations ~~which that~~ are otherwise applicable to bonds issued by authority of K.S.A. 12-1774, and amendments thereto, shall also be applicable to bonds issued pursuant to this section.

Sec. 9. K.S.A. 12-5250 is hereby amended to read as follows: 12-5250. (a) All taxable



tangible property located within a district established in accordance with this act shall be assessed and taxed for ad valorem tax purposes pursuant to law in the same manner that such property would be assessed and taxed if located outside such district, and all ad valorem taxes levied on such property shall be paid to and collected by the county treasurer in the same manner as other taxes are paid and collected. Except as otherwise provided in this section, the county treasurer shall distribute such taxes as may be collected in the same manner as if such property were located outside the district. Each district established under the provisions of this act shall constitute a separate taxing unit for the purpose of the computation and levy of taxes.

(b) Beginning with the first payment of taxes ~~which~~ that are levied following the date of the approval of any district in accordance with this act, and amendments thereto, real property taxes received by the county treasurer resulting from taxes which are levied subject to the provisions of this act by and for the benefit of a taxing subdivision on property located within such district constituting a separate taxing unit under the provisions of this section, shall be divided as follows:

(1) From the taxes levied each year subject to the provisions of this act by or for each taxing subdivisions upon property located within a district constituting a separate taxing unit under the provisions of this act, the county treasurer first shall allocate and pay to each such taxing subdivision all of the real property taxes collected which are produced from that portion of the current assessed valuation of such real property located within such separate taxing unit which is equal to the total assessed value of such real property on the date of the establishment of the district.

(2) Any real property taxes produced from that portion of the current assessed valuation of real property within a district and constituting a separate taxing unit under the provisions of this section in excess of an amount equal to the total assessed value of such real property on the effective date of the establishment of the district shall be allocated and paid by the county treasurer to the treasurer as follows:

(A) In districts established by a city, the amount shall be paid to the treasurer of the city and deposited in a special fund of the city to pay the cost of housing projects in the district including the payment of principal of and interest on any special obligation bonds issued by such city to finance, in whole or in part, such housing project.

(B) In districts established by a county, the amount shall be deposited by the county treasurer in a special fund of the county to pay the cost of housing projects in the district including the payment of principal of and interest on any special obligation bonds issued by such county to finance, in whole or in part, such housing project. If such special obligation bonds and interest thereon have been paid before the completion of a project, the city or county may continue to use such moneys for any purpose authorized by this act until such time as the project is completed, but for not to exceed ~~15~~ 25 years from the date of the establishment of the district. When such special obligation bonds and interest thereon have been paid and the project is completed, all moneys thereafter received from real property taxes within such district shall be allocated and paid to the respective taxing subdivisions in the same manner as are other ad valorem taxes.

(c) Notwithstanding any other provision of law, it is hereby stated that is an object of all ad valorem taxes levied by or for the benefit of any taxing subdivision on taxable tangible real property located within any district created pursuant to this act, that such taxes may be applied and allocated to and when collected paid into a special fund of a city or county pursuant to the procedures and limitations of this act to pay the cost of a project including principal of and interest on special obligation bonds issued by such city or county to finance, in whole or in part, such project.";

Also on page 12, in line 30, before "K.S.A" by inserting "K.S.A. 12-5245 and 12-5250 and"; also in line 30, after "Supp." by inserting "12-5248,";

And by renumbering sections accordingly;

On page 1, in the title, in line 1, by striking "the department of commerce" and inserting

"economic development"; in line 2, by striking "incentive"; also in line 2, by striking all after "evaluations"; in line 3, by striking "audit"; also in line 3, by striking "the"; also in line 3, by striking "incentive"; also in line 3, after the comma by inserting "certain"; in line 4, by striking "and" and inserting a comma; also in line 4, by striking "required"; in line 5, after the semicolon by inserting "development incentives to address rural housing shortages, rural housing incentive district bonds;"; also in line 5, after "amending" by inserting "K.S.A. 12-5245 and 12-5250 and"; also in line 5, after "Supp." by inserting "12-5248,"; and the bill be passed as amended.

\_\_\_\_\_Chairperson