AN ACT enacting the Kansas reinvestment act.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Sections 1 through 11, and amendments thereto, may be cited as the Kansas reinvestment act. The purpose of this act is to promote job creation and economic development in impoverished areas of this state and to promote the growth of communities in such areas by providing financial assistance to small businesses and community organizations.

Sec. 2. As used in this act:
(a) "Business renovation" means improving the existing physical facilities or physical structure of an "eligible business or organization."
(b) "Eligible business or organization" means a "small business," "new small business," "exempt business," "nonprofit organization," or "religious organization" that meets the applicable requirements for eligibility for an award of a loan under this act as determined by the secretary.
(c) "Exempt business" means a business exempted from certain requirements for eligibility for a loan under this act by the secretary pursuant to the provisions of section 8, and amendments thereto.
(d) "Fraudulent activity" means submitting false documentation to the state of Kansas, the secretary or the secretary's designee or a third party contractor approved by the secretary for purposes of securing a loan pursuant to this act, including, but not limited to: (1) Overestimating goods or services for the intended purpose of receiving funds; or (2) using awarded funds for purposes or in a manner contrary to the provisions of this act.
(e) "Impoverished area" means a zip code area in which the median income does not exceed 70% of the state median income according to United States census bureau data for the most recent year available.
(f) "New small business" means a small business that has been in existence for more than 12 months and less than 18 months.
(g) "Nonprofit organization" means any organization:
(1) Organized and operated for the purpose of the relief of poverty, distress or other condition of public concern within this state, financially supporting the activities of an organization organized and operated for such purposes or conferring direct benefits on the community at large;
(2) where no part of the net earnings of such organization inures to
the benefit of any private shareholder or individual member of such
organization; and
(3) that is either exempt from the payment of federal income taxes as
provided by sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6) or 501(c)
(7) of the federal internal revenue code of 1986, as amended, or is found
by the secretary to be organized and operated as a bona fide nonprofit
organization.
(h) "Program manager" means the manager of the Kansas
reinvestment act program appointed by the secretary of commerce.
(i) "Religious organization" means any corporation, trust or
organization:
(1) Incorporated or established for religious purposes, or established
for charitable, hospital or educational purposes and engaged in effectuating
one or more of such purposes;
(2) affiliated with, operated by or supervised or controlled by a
corporation, trust or organization incorporated or established for religious
purposes; and
(3) which has been exempted from the payment of federal income
taxes pursuant to section 501(c)(3) or 501(d) of the federal internal
revenue code of 1986, as amended.
(j) "Secretary" means the secretary of commerce or the designee of
the secretary of commerce.
(k) "Small business" means a sole proprietorship, limited liability
corporation, partnership or corporation that receives less than $3,500,000
in gross revenue annually and employs 50 or fewer employees and is not a
franchisee of a national business that has franchisees in more than one
state.
Sec. 3. (a) There is hereby established the Kansas reinvestment
program, which shall be within the department of commerce. The secretary
of commerce may appoint a program manager to administer the Kansas
reinvestment program who shall be in the unclassified service. The
program manager's salary shall be equivalent to the salary of a division
head within the department of commerce.
(b) The secretary may contract with third parties, as otherwise
provided by law, to carry out the provisions of this act. Subject to
appropriation acts, the secretary may hire staff members who shall be in
the unclassified service.
(c) The secretary shall have authority to enter into agreements for
awarding loans to eligible businesses or organizations for the purposes of,
and in accordance with, the provisions of this act beginning on July 1,
Sec. 4. (a) There is hereby created in the state treasury the Kansas
reinvestment act fund. The secretary shall administer the fund. All expenditures from the fund shall be for administration of this act and for the purpose of promoting job creation and economic development by awarding financial assistance to eligible businesses or organizations in accordance with the provisions of this act. All expenditures shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary or the secretary's designee.

(b) Subject to appropriation acts, beginning on July 1, 2019, and on each following July 1 up to and including July 1, 2022, the director of accounts and reports shall transfer $1,250,000 from the general fund to the Kansas reinvestment fund.

(c) Subject to appropriation acts, up to 10% of the amount transferred to the Kansas investment fund each fiscal year may be used by the secretary for the administration of the Kansas reinvestment program, including for salaries of the program manager and any staff.

Sec. 5. (a) On and after July 1, 2019, a business or organization may apply to the secretary to enter into an agreement for a loan, pursuant to this act. The application shall be submitted on a form and in a manner prescribed by the secretary and shall include the information requested by the secretary.

(b) Upon receipt of an application, if the secretary finds that the applicant is an eligible business or organization meeting the requirements of this act, the secretary shall enter into an agreement with the eligible business or organization for a loan in the amount and upon terms and conditions at the secretary's discretion within the limitations and provisions of this act. When considering an application or terms of an agreement, the secretary shall consult with the local governmental authorities responsible for economic development in the city or county within which the applicant is located.

(c) An agreement with the eligible business or organization shall provide that should the eligible business or organization fail to comply with the terms set forth in the agreement, the secretary may terminate the agreement, and any outstanding funds awarded, with interest, shall constitute a debt immediately due and payable to the state of Kansas and shall be repaid to the secretary for deposit in the Kansas reinvestment act fund. The outstanding amount of the funds awarded, with interest, and the cost of recovery may be turned over for collection to a designated collection agency by the secretary. All agreements shall require that the applicant furnish the secretary with information requested by the secretary for the purposes of fulfilling the goals and ensuring compliance with the provisions of this act. An award recipient shall make its books and records available for inspection by the secretary or the secretary's designee at any
time during business hours.

(d) Loans to eligible businesses or organizations awarded by the secretary shall be used for the following purposes, to be specified in the agreement between the secretary and the award recipient:

(1) Business renovation;
(2) business equipment, including machinery, office equipment or software;
(3) a new structure or structures;
(4) up to $10,000 for relocation to an impoverished area; or
(5) up to $20,000 for marketing.

(e) All agreements shall further specify that loan funds awarded by the secretary shall not be used for:

(1) Salaries of employees;
(2) personal vehicles or vehicles that will be used for less than 90% business use; or
(3) payments for debts incurred for goods or services received prior to receipt of the loan.

(f) All agreements shall provide that fraudulent activity by the loan recipient shall constitute a breach of the agreement and result in the mandatory return of the full amount of awarded loan funds to the secretary. All agreements shall contain terms prohibiting the sale of a business that has received a loan for a period of five years from the date the loan is awarded, unless the loan is paid back by the business prior to or as a requirement of the sale.

(g) Loans shall include the following terms, which shall be specified in the agreement between the secretary and the loan recipient:

(1) A fixed interest rate of 1.99%;
(2) a term of repayment set by agreement between the recipient and the secretary;
(3) a six-month grace period during which interest shall accrue but no payments shall be due; and
(4) a provision for forgiveness of the remaining principal and interest upon payment of 50% of the principal, if the applicable provisions of this act and terms of the agreement with the secretary have been met, loan payments to the secretary have been timely made and applicable business goals or other conditions in furtherance of the purposes of this act set forth in the agreement between the secretary and the award recipient have been achieved.

(h) The secretary shall set conditions under which loan payments may be suspended for a period of time or the loan may be restructured where circumstances beyond the control of the loan recipient have resulted or will result in financial hardship, and the secretary finds such suspension or restructuring will permit the loan recipient to successfully meet the goals
of this act. Suspension of payments or restructuring of the loan under such
circumstances shall not be considered a failure to meet conditions for
eligibility for forgiveness of principal pursuant to subsection (g)(4).

Sec. 6. (a) In addition to other requirements under this act, to be
eligible to receive an award of a loan, a small business or new small
business shall meet the following requirements, which shall be set forth in
the agreement with the secretary:
   (1) Be located in or relocating to an impoverished area;
   (2) not be delinquent in filing any return or paying any tax due to the
state of Kansas or the federal government; and
   (3) submit to the secretary a business plan that has been reviewed and
deemed to substantially meet applicable commercial lending standards by:
      (A) The Kansas small business development center or the federal
          small business administration; and
      (B) a bank or other financial institution approved by the secretary.
   (b) In addition to other requirements under this act, to be eligible to
receive an award of a loan, a nonprofit organization or religious
organization shall meet the following requirements, which shall be set
forth in the agreement with the secretary and a loan recipient:
   (1) Be located in or relocating to an impoverished area;
   (2) be current in required filings and in good standing with the federal
internal revenue service;
   (3) be in good standing with regard to any filings due to the state of
Kansas;
   (4) employ no more than 25 employees and annually receive gross
revenues of no more than $750,000; and
   (5) agree to employ at least two new employees.

Sec. 7. Loans awarded by the secretary shall be subject to the
following limitations:
   (a) No religious organization or nonprofit business shall receive
awards totaling more than $75,000;
   (b) no small business shall receive awards totaling more than
$100,000; and
   (c) no new small business shall receive awards totaling more than
$50,000.

Sec. 8. (a) A nonprofit organization or religious organization that does
not meet the eligibility requirements set forth in section 6(b)(4), and
amendments thereto, or a business that does not meet the definition of a
small business or new small business as defined in section 1, and
amendments thereto, may apply to the secretary for an exemption from
one or more of those requirements. If the secretary grants an exemption,
the secretary may also waive the requirements of section 6(a)(3), and
amendments thereto. No exemption shall be considered by the secretary
with regard to the business activity restrictions set forth in section 9, and
amendments thereto.

(b) An application for an exemption shall be considered by the
secretary, and approval or disapproval at the secretary's sole discretion
shall be given within 30 days of submission of a completed application. In
reviewing the application, the secretary shall consider:

(1) The direct economic impact on the impoverished area by the
applicant, including, but not limited to, an analysis of the near-term and
five-year projected economic impact from job creations and capital
investment by the business;

(2) the commitment by the applicant to the community of the
impoverished area as demonstrated by the total investment in the business,
employment commitments, and intent to remain in the community; and

(3) information provided by local government authorities responsible
for economic development in the impoverished area regarding the impact
of an award, including, the submission of a letter of support from the local
government authorities.

(c) If the secretary approves the application for an exemption
pursuant to subsection (a), a loan or loans shall be granted to the applicant
as otherwise provided by this act, except that the total of all awards to the
applicant shall not exceed $75,000, and the secretary may require terms
more favorable to the state than those set forth in section 5(g)(1), and
amendments thereto, and need not provide a grace period or loan
forgiveness provision pursuant to section 5(g)(3) or (4), and amendments
thereto.

Sec. 9. Notwithstanding any other provision of this act, applicants
that engage in any of the following business activities shall not be eligible
for loans:

(a) Nude or semi-nude dancing;

(b) pornography;

(c) sales of alcoholic liquor at retail, as defined in K.S.A. 41-102, and
amendments thereto;

(d) sales of cigarettes, pipe tobacco or pipes;

(e) loans utilizing title to vehicles as collateral; and

(f) check cashing.

Sec. 10. The secretary may adopt rules and regulations as necessary
to carry out the provisions of this act.

Sec. 11. The provisions of sections 1 through 11, and amendments
thereto, shall expire on July 1, 2023.

Sec. 12. This act shall take effect and be in force from and after its
publication in the statute book.