

SESSION OF 2022

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2623

As Amended by House Committee on Financial
Institutions and Rural Development

Brief*

HB 2623, as amended, would create the Rural Remote Worker Incentive Pilot Program (Program). All Program provisions would sunset on July 1, 2025.

Definitions (Section 2)

The bill would define the following terms:

- “Business location” would mean the physical address where a business conducts business operations, including headquarters, branch, and satellite facilities;
- “County median wage” would mean the median wage paid to employees located in the county where the expanding or new business is, or will be, located in Kansas as reported by the Department of Labor in its annual report for the previous year;
- “Expanding business” would mean the expansion of an existing business facility, division, office, department, or other operation located in Kansas and locating in Kansas remote jobs directly related to the business facility, division, office, department, or other operation;

*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>

- “New business” would mean a facility, plant, division, office, department, or other business operations of an entity that was not doing business in Kansas prior to the submission of an application for incentives under the Program;
- “Remote job” would mean a newly created full-time permanent remote or mobile employee of an expanding or new business who works from such employee’s residence or other space in a rural area for 30 or more hours per week;
 - “Remote job” would not mean a part-time, temporary, or seasonal employee;
- “Rural area” would mean a county with a population of 40,000 or less; and
- “Secretary” would mean the Secretary of Commerce.

***Cash Incentive Payments; Program Administration
(Section 3)***

The bill would establish certain criteria to be met by an expanding or new business to qualify for, or apply to the Secretary for, one-time incentives under the Program:

- Create a minimum of five remote jobs in rural areas;
- All remote jobs would be located at least 30 miles from the business location of an expanding or new business;
- The minimum wage for the remote job would be equal to or greater than the county median wage where the expanding or new business is, or will be, located in Kansas; and

- Application would be submitted on a form and in a manner prescribed by the Secretary and would include a copy of the quarterly wage and unemployment tax return form of the business that is submitted to the Department of Labor or other evidence required by the Secretary through rules and regulations.

The bill would prohibit an expanding or new business from applying to the Secretary for the one-time incentives until the end of the calendar year in which each remote worker completed 12 consecutive months of full-time permanent remote or mobile work in a rural area.

The bill would authorize, subject to appropriations and upon approval by the Secretary, a cash incentive payment of \$4,000 per rural remote job created by an existing or new business. The payments would be made from a fund created by the bill. The total amount of payments from the new fund could not exceed \$600,000.

The bill would require the Secretary to adopt rules and regulations necessary to implement and administer the provisions of the Program and that all such rules and regulations would not expand the administrative powers or duties of the Secretary beyond those specifically granted. The bill would require the rules and regulations to not substantially alter the legislative intent of the bill.

The bill would also require the Department of Commerce (Department) to implement and administer the Program within existing staff and resources.

Rural Remote Worker Incentive Fund (Section 4)

The bill would create the Rural Remote Worker Incentive Fund (Fund), which would be administered by the Secretary, or the Secretary's designee. The bill would require all

expenditures from the Fund to be for providing the cash incentive payments in accordance with the Program.

The bill would transfer all moneys in the Fund and all liabilities of the Fund to the State General Fund on June 30, 2025, and abolish the Fund.

***Other Economic Development Incentive Programs
(Section 5)***

The bill would not prohibit a business from receiving any other incentives from any other economic development incentive programs, including, but not limited to, the Kansas Industrial Training and Retraining Programs, High Performance Incentive Program, Promoting Employment Across Kansas Act, and Job Creation Program Fund.

Promotion of the Program (Section 6)

The bill would require the Department to utilize existing staff and resources to promote the Program to expanding or new Kansas businesses and to any out-of-state businesses relocating to Kansas, including businesses that have not applied for any other economic development incentive program administered by the Department.

Report to the Legislature (Section 7)

The bill would require the Department to present a report on the progress of the Program to the House Committee on Financial Institutions and Rural Development and Senate Committee on Commerce during the 2024 Legislative Session.

Background

The bill was introduced by the House Committee on Financial Institutions and Rural Development at the request of a representative of the Department.

House Committee on Financial Institutions and Rural Development

In the House Committee hearing, **proponent** testimony was provided by the Director of the Office of Rural Prosperity in the Department, stating Kansas has a high migration rate, ranking the sixth most “moved from state” in the United States, and the number one reason is employment. The proponent stated the Program would not only help keep people in the state, but also bring outside wages into rural communities, while capitalizing on the remote work trend.

Written-only proponent testimony was provided by a representative of the League of Kansas Municipalities.

No other testimony was provided.

The House Committee amended the bill to:

- Rename the Rural Remote Worker Incentive Act the Rural Remote Worker Incentive Pilot Program;
- Clarify, in two definitions and other parts of the bill, the remote worker employees are new positions that will be located in Kansas;
- Remove “city with a population of 60,000 or less located in a county with a population of 80,000 or less” from the definition of “rural area”;
- Clarify the incentives created by the bill are one-time incentives;

- Require each remote worker to complete 12 consecutive months of full-time permanent remote or mobile work in a rural area in order for the expanding or new business to apply for one-time incentives;
- Require the Department to implement and administer the provisions of the bill within existing staff and resources;
- Require the Department to promote the Program to other businesses;
- Add requirements for the rules and regulations adopted by the Secretary;
- Require the Department to submit a report to the House Committee on Financial Institutions and Rural Development and Senate Committee on Commerce during the 2024 Legislative Session;
- Transfer all moneys and liabilities of the Fund to the State General Fund on June 30, 2025, and abolish the Fund; and
- Sunset the provisions of the bill on July 1, 2025;

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Department reports enactment of the bill would have a negligible fiscal effect on agency operations and could be implemented with current staff and resources. The Kansas Association of Counties notes that counties would not directly receive any incentive funds, but counties meeting the definition of “rural area” could potentially see increases in property and sales tax revenue. The League of Kansas Municipalities states enactment of the bill would not have any fiscal effect on cities. Any fiscal effect associated with the bill is not reflected in the *The FY 2023 Governor’s Budget Report*.

Rural development; employment; Rural Remote Worker Incentive Pilot Program; Secretary of Commerce; rules and regulations; incentives; Rural Remote Worker Incentive Fund; Legislature