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MEMORANDUM

To: Chairman Kelly and House Committee on Financial Institutions and Rural Development

From: Charles Reimer, Assistant Revisor of Statutes

Date: 3/17/2021

Subject: HB 2431

HB 2431 makes a number of changes to the Department of Commerce's rural opportunity zone program, including changing the definition of a rural opportunity zone from a list of counties to eligibility based on population, expanding the eligibility for program participants for certain elements of the program to include individuals who have maintained their domicile in a county, adding down payment assistance as a benefit option and providing for a second program track of a new rural community building program. The bill also extends the program's sunset to 2026.

Section 1: New Rural Community Building Program ROZ Option

Section 1 establishes a new second track for the rural opportunity zone program called the rural community building program. A county that is a rural opportunity zone may participate in either the new program or the current program that involves either school loan payment assistance or a new alternative benefit added in the bill that provides for down payment assistance for the first purchase of a home. A county may only participate in either the rural community building program or the expanded current ROZ program during a five-year commitment by the county. In addition, ROZ program participants who are eligible may also receive the current ROZ program tax credit provided at K.S.A. 79-32,267. Page 1. See also section 3(a) at page 4.

Counties that elect to participate in the new rural community building program must do so by a resolution committing to the program for five years. The program involves goals for each of the five years, to be accomplished with the assistance of the secretary of commerce. In the first year,

the county is to produce an assessment of its marketing capacity and develop a website that is functional as a marketing tool. Page 1-2.

In the second year, the county selects, designs and implements small-scale community improvement projects designed to attract new residents and retain existing residents, including elderly residents. Examples of such projects are main street improvements, parks, playgrounds and community gathering places such as entertainment venues or community centers. The state, subject to appropriations, provides funds to be matched equally by the county. The county's share may be provided by any political subdivision within the county or by any organization, business or individual. The plans for the projects are to be published on the county's website. Page 2.

The third year of the program involves the county producing a housing assessment that includes an evaluation of existing housing and demand for new or improved housing. The assessment is to include an evaluation of the possibility of creating a local equity pool for housing construction or renovation. The assessment is also to be published on the county's website. Page 2.

In the fourth year, the county is to identify funding sources, match developers with county communities and implement a housing plan that addresses the needs identified by the housing assessment. The county is to be provided assistance by the secretary and the Kansas housing resources corporation. The county is to organize housing development teams of local tradespeople, volunteers or organizations to accomplish the plan. The county also is to develop equity pools for funding. Page 2.

The fifth year of the program involves completing the housing plan. The county has until the end of the fifth year to do so. Page 3.

Section 2: Definitions for the ROZ Program

Section 2 amends current definitions for the ROZ program. The definition for an "institution of higher education" is expanded to include community colleges, technical colleges, two-year associate degree or career and technical programs offered by private colleges and the Washburn institute of technology in addition to the current definition of public or private nonprofit education institutions. Page 3. Educational loan repayment assistance under the ROZ program is

accordingly expanded to cover loans for attendance at an “institution of higher education” for career and technical education program certificates in addition to associate, bachelor or post-graduate degree programs. See page 5.

The definition for a “rural opportunity zone” is changed to mean counties with a population of less than 35,000 persons. Page 3.

Section 3: Expansion of Current ROZ Program and Program Participant Eligibility

This section expands the current ROZ program. The bill adds a new benefit option for down payment assistance for the purchase of a first home as an alternative to assistance with educational loan repayment that is a current ROZ benefit. The bill also expands eligibility for benefits for program participants to include individuals who have maintained their domicile in the county. Counties may participate in one or both benefit options, but an individual program participant may only receive benefits from one option. Page 4.

Current law provides for student loan balance repayment assistance for qualifying participants. This assistance is to be provided in equal share by the state and the county over a five-year period, up to a maximum total amount of \$15,000. The bill permits a county’s share of the benefit to be provided by the employer of the qualified participant, any municipality or political subdivision within the county or any other organization, business or individual, including the qualified participant. Page 4.

As noted, as an alternative to assistance with educational loan repayment, a program participant who is a first-time homebuyer may now elect to receive down payment assistance for the purchase of a residence within the county. The state will pay up to 1.5% of the down payment if matched by a sponsor. The sponsor may be the county, the program participant’s employer, any municipality or political subdivision within the county or any other organization, business or individual, including the qualified individual. The county must agree to commit at least \$10,000 toward matching funds. Page 5.

The failure of the county to certify that it is meeting its financial obligations under the program will result in the loss of active status as a rural opportunity zone and no new program participants may be accepted for benefits until status is restored by the secretary of commerce. Page 5.

Section 3(c) sets forth the eligibility requirements for program participants for the loan repayment or home down payment benefit options. Under current law, an individual must be a resident individual who establishes domicile in the county after the date the county commenced participation in the ROZ program. The bill provides alternative eligibility for program participants on and after June 1, 2021, when the resident individual has maintained their permanent residence or domicile in and either continues to reside in or has returned to the county. Page 5.

In addition to either the loan repayment assistance or the down payment assistance, a resident individual, if eligible, may receive the income tax credit pursuant to K.S.A. 79-32,267. Page 6

The bill extends the ROZ program to July 1, 2026. Page 5.

Section 4: ROZ Tax Credit

The ROZ income tax credit is extended until January 1, 2026. Under current law, to receive the credit domicile was required to be established prior to January 1, 2021. Eligibility for the tax credit is unchanged from current law and requires the establishment of domicile in a rural opportunity zone after the individual was domiciled outside this state for five or more years immediately prior to establishing domicile in the rural opportunity zone, among other requirements. Page 6.

Effective Date

If enacted, the bill would become effective July 1, 2021.