

**Senate Substitute for HOUSE BILL No. 2509**

By Committee on Commerce

3-18

1 AN ACT concerning the department of commerce; relating to  
2 administrative cost recovery fees for department-administered  
3 community finance, economic development and tax incentive  
4 programs; amending K.S.A. 74-5060 and K.S.A. 2015 Supp. 12-17,164  
5 and 74-50,150 and repealing the existing sections.  
6

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

8 New Section 1. (a) For purposes of recovering application processing,  
9 oversight, administrative and other costs, the secretary of commerce may  
10 assess an application fee of up to \$750 upon applications for economic  
11 development incentive programs administered wholly or in part by the  
12 secretary, including, but not limited to, the Kansas industrial training and  
13 retraining programs, K.S.A. 74-5065 et seq., and amendments thereto, the  
14 high performance incentive program, K.S.A. 74-50,131 et seq., and  
15 amendments thereto, the promoting employment across Kansas act, K.S.A.  
16 2015 Supp. 74-50,210 et seq., and amendments thereto, and the job  
17 creation program fund, K.S.A. 2015 Supp. 74-50,224 et seq., and  
18 amendments thereto. The secretary may adopt rules and regulations to  
19 implement the provisions of this subsection.

20 (b) The secretary of commerce shall remit all moneys received by or  
21 for the secretary from such application fees and collected under this  
22 section to the state treasurer in accordance with the provisions of K.S.A.  
23 75-4215, and amendments thereto. Upon receipt of each such remittance,  
24 the state treasurer shall deposit the entire amount in the state treasury to  
25 the credit of the economic development incentive program application fee  
26 fund, which is hereby established in the state treasury and which may be  
27 used for costs to the department of commerce arising from administering  
28 such economic development incentive programs. All expenditures from the  
29 economic development incentive program application fee fund shall be  
30 made in accordance with appropriation acts upon warrants of the director  
31 of accounts and reports issued pursuant to vouchers approved by the  
32 secretary or by a person or persons designated by the secretary.

33 Sec. 2. K.S.A. 2015 Supp. 12-17,164 is hereby amended to read as  
34 follows: 12-17,164. (a) The governing body of a city may establish one or  
35 more STAR bond projects in any area within such city or wholly outside  
36 the boundaries of such city. A STAR bond project wholly outside the

1 boundaries of such city must be approved by the board of county  
2 commissioners by the passage of a county resolution.

3 The governing body of a county may establish one or more STAR bond  
4 projects in any unincorporated area of the county.

5 The projects shall be eligible for financing by special obligation bonds  
6 payable from revenues described by ~~subsection (a)(1)~~ of K.S.A. 2015  
7 Supp. 12-17,169(a)(1), and amendments thereto.

8 (b) Each STAR bond project shall first be approved by the secretary,  
9 if the secretary determines that the proposed project or complex  
10 sufficiently promotes, stimulates and develops the general and economic  
11 welfare of the state as described in K.S.A. 2015 Supp. 12-17,160, and  
12 amendments thereto. The secretary, upon approving the project, may  
13 approve such financing in an amount not to exceed 50% of the total costs  
14 including all project costs and any other costs related to the project. The  
15 proceeds of such STAR bond financing may only be used to pay for  
16 incurred project costs.

17 (c) For a city proposing to finance a major motorsports complex  
18 pursuant to ~~subsection (a)(1)(C) or (a)(1)(E)~~ of K.S.A. 2015 Supp. 12-  
19 17,169(a)(1)(C) or (a)(1)(E), and amendments thereto, the secretary, upon  
20 approving the project, may approve such financing in an amount not to  
21 exceed 50% of the STAR bond project costs.

22 (d) The secretary may approve a STAR bond project located in a  
23 STAR bond project district established by a city prior to May 1, 2003.

24 (e) A project shall not be granted to any business that proposes to  
25 relocate its business from another area of the state into such city or county,  
26 for the purpose of consideration for a STAR bond project provided by  
27 K.S.A. 2015 Supp. 12-17,160 et seq., and amendments thereto.

28 (f) A project shall not be approved by the secretary if the market  
29 study required by K.S.A. 2015 Supp. 12-17,166, and amendments thereto,  
30 indicates a substantial negative impact upon businesses in the project or  
31 complex market area or the granting of such project or complex would  
32 cause a default in the payment of any outstanding special obligation bond  
33 payable from revenues authorized pursuant to ~~subsection (a)(1)~~ of K.S.A.  
34 2015 Supp. 12-17,169(a)(1), and amendments thereto.

35 (g) The maximum maturity of special obligation bonds payable  
36 primarily from revenues described by ~~subsection (a)(1)~~ of K.S.A. 2015  
37 Supp. 12-17,169(a)(1), and amendments thereto, to finance STAR bond  
38 projects pursuant to this section shall not exceed 20 years.

39 (h) The secretary shall not approve any application for STAR bond  
40 project financing which is submitted by a city or county more than one  
41 year after the STAR bond project district in which the STAR bond project  
42 is located has been established.

43 (i) *For the purpose of recovering the costs of the secretary and the*

1 *department arising from fulfilling administrative, review, approval,*  
2 *oversight and other responsibilities under the STAR bonds financing act*  
3 *and from providing assistance to cities, counties and private businesses in*  
4 *relation to STAR bond projects, the secretary may assess an administrative*  
5 *fee of up to 1% of the amount of the special obligation bonds payable from*  
6 *revenues described by K.S.A. 2015 Supp. 12-17,169(a)(1), and*  
7 *amendments thereto, issued or reissued for STAR bond projects. The fee*  
8 *shall be paid to the secretary from the proceeds of such bonds. All such*  
9 *moneys received by the secretary shall be remitted to the state treasurer in*  
10 *accordance with the provisions of K.S.A. 75-4215, and amendments*  
11 *thereto. Upon receipt of each such remittance, the state treasurer shall*  
12 *deposit the entire amount in the state treasury to the credit of the STAR*  
13 *bond administrative fee fund, which is hereby created in the state treasury.*  
14 *All expenditures from the STAR bond administrative fee fund shall be*  
15 *made in accordance with appropriation acts upon warrants of the director*  
16 *of accounts and reports issued pursuant to vouchers approved by the*  
17 *secretary or a person or persons designated by the secretary.*

18 Sec. 3. K.S.A. 74-5060 is hereby amended to read as follows: 74-  
19 5060. (a) The secretary shall determine the state ceiling for each calendar  
20 year in accordance with the formula provided therefor in the code and,  
21 except as otherwise provided in K.S.A. 74-5063, and amendments thereto,  
22 shall allocate the state ceiling among governmental issuers in accordance  
23 with the provisions of this section.

24 (b) The secretary shall reserve until October 15 of each year: (1) An  
25 amount equal to \$5,000,000 for allocation in accordance with the  
26 provisions of section 141(b)(5) of the code for private activity use of a  
27 portion of the proceeds of bonds issued by governmental issuers; (2) an  
28 amount equal to \$5,000,000 for allocation for qualified student loan bonds  
29 as defined in section 144(b) of the code; and (3) an amount equal to  
30 \$25,000,000 for allocation for qualified small issue bonds as defined in  
31 section 144(a) of the code. On and after October 15 of each year, any  
32 portion of the state ceiling remaining unused or uncommitted shall be  
33 available for allocation to governmental issuers by the secretary without  
34 regard to the reservations provided for in this subsection.

35 (c) Prior to any issuance of private activity bonds subject to the state  
36 ceiling, a governmental issuer shall submit to the secretary on a form  
37 prescribed by the secretary a written application for an allocation of the  
38 state ceiling for such issue.

39 (d) Subject to the provisions of subsection (b), the secretary shall  
40 approve each properly filed application for an allocation for qualified  
41 small issue bonds of \$5,000,000 or less on the basis of the chronological  
42 order of receipt of applications. If an application is for an allocation in  
43 excess of \$5,000,000, the secretary may approve the total amount, approve

1 a partial amount or reject the application.

2 (e) Within five business days after receipt of an application for an  
3 allocation, the secretary shall notify the governmental issuer in writing  
4 that: (1) The application has been approved and shall specify the amount  
5 approved,~~or~~; (2) the application has been denied;~~;~~ or (3) the application  
6 has been placed on hold pending receipt of additional information with  
7 respect to the application or pending a review of the effect approval of the  
8 application will have on the state ceiling.

9 (f) Unless an extension or a carryforward election is approved by the  
10 secretary, an approved allocation, or any portion thereof, that is not utilized  
11 by the issuance of the private activity bonds for which the allocation was  
12 approved shall expire at the earliest of: (1) The time of 11:59 p.m. on the  
13 date which is 60 days after the date the notification of the approved  
14 allocation is mailed to the governmental issuer or on such other date as the  
15 secretary may specify in the notification,~~or~~; (2) the date upon which the  
16 approved allocation is voluntarily surrendered to the secretary by the  
17 governmental issuer;~~;~~ or (3) the time of 11:59 p.m. on December 1 of the  
18 calendar year in which the allocation was approved.

19 (g) A governmental issuer may request an extension of the expiration  
20 date of an approved allocation by filing a written application therefor with  
21 the secretary. Any such application must be received by the secretary not  
22 less than two days prior to the expiration date of the approved allocation.  
23 In such instances, the secretary may approve an extension for a period  
24 ending at the earliest of: (1) The time of 11:59 p.m. on the date which is 30  
25 days after the initial expiration date,~~or~~; (2) the date upon which the  
26 approved allocation is voluntarily surrendered to the secretary by the  
27 governmental issuer;~~;~~ or (3) the time of 11:59 p.m. on December 1 of the  
28 calendar year in which the allocation was approved. The secretary shall  
29 notify the governmental issuer within five business days after receipt of  
30 the application if the request for extension has been approved or denied. If  
31 the private activity bonds for which an extension has been approved are  
32 not issued on or before the last day of the extension period approved by  
33 the secretary, the approved allocation shall expire unless a carryforward  
34 election is approved by the secretary.

35 (h) Notwithstanding any other provision of this section, if an  
36 approved allocation or an approved extension period expires on December  
37 1, the secretary may grant an extension, or a further extension, for any  
38 period ending not later than the time of 11:59 p.m. on December 31 of the  
39 calendar year in which the allocation was approved.

40 (i) The secretary shall provide to the governmental issuer on or prior  
41 to the date of issuance of any private activity bonds for which an approved  
42 allocation has not expired a certification that such bonds meet the  
43 requirements of section 146 of the code.

1 (j) On or after December 16 of each calendar year, the secretary may  
2 approve a carryforward election with respect to an approved allocation or  
3 any approved extension if the governmental issuer, in writing: (1)  
4 Requests such action; and (2) indicates that the private activity bonds for  
5 which the allocation was approved cannot be issued during the calendar  
6 year in which the allocation was approved. Such approved carryforward  
7 election shall be made by the governmental issuer by means of a  
8 statement, signed by a duly authorized official of such issuer. Such  
9 statement shall be filed with the secretary and with the internal revenue  
10 service in accordance with section 146(f) of the code. A governmental  
11 issuer may elect to carryforward such issuing authority only for qualified  
12 mortgage bonds, mortgage credit certificates, qualified student loan bonds,  
13 qualified redevelopment bonds, as defined in sections 142, 143 and 144 of  
14 the code, or for bonds to finance a project described in section 141(e)(1)  
15 (A) of the code. In no event shall such carryforward be effective for a  
16 period longer than permitted by section 146(f) of the code.

17 (k) If an approved allocation expires, a governmental issuer may  
18 submit another application for an allocation of the state ceiling for the  
19 same purpose for which the expired allocation was approved. Any such  
20 applications shall be reviewed in order of receipt with no preference or  
21 priority being given as a result of the prior application and allocation.

22 (l) (1) *For purposes of recovery of program oversight and*  
23 *administrative costs, the secretary may assess an administrative*  
24 *application fee of up to ~~5%~~ {1%} of the private activity bond issuance*  
25 *amount requested. At the secretary's discretion, the fee may be made*  
26 *payable by the governmental issuer or out of the bond proceeds or both. If*  
27 *the fee is assessed in whole or in part upon the governmental issuer, the*  
28 *governmental issuer may require payment of such fee or a portion thereof*  
29 *from the conduit borrower or borrowers if requiring such payment from*  
30 *the conduit borrower or borrowers is approved by the secretary. In no*  
31 *case shall the fee exceed applicable limitations imposed by the code. The*  
32 *secretary may issue rules and regulations to implement the provisions of*  
33 *this subsection.*

34 (2) *The secretary shall remit all moneys received by or for the*  
35 *secretary from such administrative application fees and collected under*  
36 *this subsection to the state treasurer in accordance with the provisions of*  
37 *K.S.A. 75-4215, and amendments thereto. Upon receipt of each such*  
38 *remittance, the state treasurer shall deposit the entire amount in the state*  
39 *treasury to the credit of the private activity bond administration fee fund,*  
40 *which is hereby established in the state treasury. All expenditures from the*  
41 *private activity bond administration fee fund shall be made in accordance*  
42 *with appropriation acts upon warrants of the director of accounts and*  
43 *reports issued pursuant to vouchers approved by the secretary or by a*

1 *person or persons designated by the secretary.*

2 Sec. 4. K.S.A. 2015 Supp. 74-50,150 is hereby amended to read as  
3 follows: 74-50,150. (a) There is hereby established in the state treasury the  
4 \$5,000,000 state affordable airfare fund, which shall be known and  
5 referred to as the state affordable airfare fund and which shall be  
6 administered by the secretary of commerce. In accordance with the  
7 provisions of appropriation acts, moneys shall be transferred to the state  
8 affordable airfare fund from the state general fund or one or more special  
9 revenue funds in the state treasury as specified by appropriation acts.  
10 *Subject to appropriation acts, the secretary is authorized to designate or*  
11 *deduct from such moneys transferred to the state affordable airfare fund*  
12 *an annual administrative fee not to exceed 2% of such moneys transferred,*  
13 *which administrative fee shall be remitted to the state treasurer in*  
14 *accordance with the provisions of K.S.A. 75-4215, and amendments*  
15 *thereto, and the entire amount deposited by the state treasurer in the state*  
16 *treasury to the credit of the state affordable airfare administrative fee*  
17 *fund, which is hereby created in the state treasury.* All expenditures from  
18 the state affordable airfare fund shall be for the program to provide more  
19 air flight options, more competition for air travel and affordable air fares  
20 for Kansas, including a regional airport in western Kansas. All  
21 expenditures from the state affordable airfare fund shall be made in  
22 accordance with appropriation acts upon warrants of the director of  
23 accounts and reports issued pursuant to vouchers approved by the  
24 secretary of commerce or the designee of the secretary.

25 (b) The moneys credited to the state affordable airfare fund shall be  
26 disbursed as an annual grant by the secretary of commerce to the regional  
27 economic area partnership (REAP) and shall be used for the development  
28 and implementation of a program to provide more air flight options, more  
29 competition for air travel and affordable air fares for Kansas, including a  
30 regional airport in western Kansas. Each annual grant shall be matched by  
31 moneys received by the regional economic area partnership (REAP) from  
32 local units of government or private entities on the basis of 75% from the  
33 state affordable airfare fund to 25% from local units of government or  
34 private entities.

35 (c) Annually, beginning by January 15, 2008, at the beginning of each  
36 regular session of the legislature thereafter, the regional economic area  
37 partnership (REAP) shall evaluate and present a report on the effectiveness  
38 of this program to the house of representatives committee on  
39 appropriations and the senate committee on ways and means.  
40 Commencing with the regular session in 2008, the regional economic area  
41 partnership (REAP) shall prepare and submit a report on the expenditures  
42 of the state annual grant and local matching moneys under the program  
43 and the results obtained for such expenditures to the legislature at the

1 beginning of each regular session.

2 (d) During the interim between regular sessions of the legislature,  
3 commencing with the 2006 legislative interim period, the legislative  
4 budget committee shall study and review the activities of the regional  
5 economic area partnership (REAP) under the program to provide more air  
6 flight options, more competition for air travel and affordable air fares for  
7 Kansas, including a regional airport in western Kansas.

8 (e) *All expenditures from the state affordable airfare administrative*  
9 *fee fund shall be for the purpose of recovering costs incurred by the*  
10 *secretary in the course of administering the state affordable airfare fund*  
11 *and shall be made in accordance with appropriation acts upon warrants*  
12 *of the director of accounts and reports issued pursuant to vouchers*  
13 *approved by the secretary or by a person or persons designated by the*  
14 *secretary.*

15 Sec. 5. K.S.A. 74-5060 and K.S.A. 2015 Supp. 12-17,164 and 74-  
16 50,150 are hereby repealed.

17 Sec. 6. This act shall take effect and be in force from and after its  
18 publication in the statute book