

Approved: 1-22-07
Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on January 16, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Hank Avila, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Stan R. Ahlerich, Pres., Kansas, Inc.

Others attending:

See attached list.

The Chair introduced Stan Ahlerich who spoke to the Committee regarding the current status of the Kansas economy. (Attachments 1 and 2.)

Copies of a chronological history of Economic Development Legislation in Kansas, including fiscal reports for 2005 and 2006 were distributed by Mr. Ahlerich. (Attachments 3 and 4.)

The Committee also received copies of the chronological history for fiscal years 1986-2004. (Attachment 5.)

Questions and answers followed.

The meeting was adjourned at 4:55 p.m. The next meeting is scheduled for Wednesday, January 17, 2007.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 1-16-07

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Kansas, Inc. Testimony
House Economic Development and Tourism Committee
January 16, 2007
Stan R. Ahlerich, President

Chairperson Gordon, members of the Economic Development and Tourism Committee, Kansas, Inc. appreciates the opportunity to share with you the current status of the Kansas economy.

The framework for our testimony will primarily be based on two Kansas, Inc. reports, including:

- *Indicators of the Kansas Economy (IKE)*, Kansas, Inc., December 2006.
- *Trends in the Kansas Economy 1985 – 2006*, by Dr. Charles Krider, Professor, School of Business, University of Kansas for Kansas, Inc., August 2006.

Within our testimony, we will use the IKE data to provide a current “snapshot” of the State economy and this overview will be followed with a discussion of several twenty-year trends from Dr. Krider’s report.

Also, within the information we have provided you, we have included the following items:

- *Kansas, Inc. Publications List* – A list of recent Kansas, Inc. research.
- An overview of *Trends in the Kansas Economy 1985 – 2006* and *Issues and Trends Identification in Kansas*. As a backdrop to Kansas, Inc.’s Strategic Planning efforts, these reports were designed to provide a brief overview of several of the trends and issues that are currently faced within the Kansas economy.
- *Economic Development Legislation in Kansas: A Chronological History from Fiscal Year 1986 – 2004*
 - *FY 2005 Update*
 - *FY 2006 Update*

This report and subsequent updates provide a brief overview of economic development legislation from 1986 – 2006. These reports include legislation that directly and indirectly impacts economic development efforts in Kansas. The updates will be incorporated into the full Chronological History publication at a later date.

Again, we thank you for the opportunity to stand before you and answer any of your questions, and applaud the common sense approach your Committee has taken to assess the Kansas economy so as to build prudent policies for our future.

Economic Development & Tourism
Date: 1-16-07
Attachment # 1-1



Kansas, Inc. Publications List

The following publication list outlines recent Kansas, Inc. research. Several publications are available through our website www.kansasinc.org or a copy may be obtained by contacting our office. Depending on availability, a charge may be associated with a hard copy. Please contact us for more information at (785) 296-1460.

Annual Publications

Kansas, Inc. FY 2006 Annual Report, Kansas, Inc., October 2006

Grants and Loans: Report for Fiscal Year 2006, Kansas, Inc., December 2006.

County Economic Vitality and Distress, 2005 Report Update, Kansas, Inc., August 2006.

Economic Development Legislation in Kansas: A Chronological History FY 2006 Report Update, Kansas Inc., December 2006.

Indicators of the Kansas Economy

Indicators of the Kansas Economy, Kansas, Inc., March 2006, July 2006, September 2006, & December 2006.

Economic Trends Reports

Trends in the Kansas Economy 1985 – 2006, by Charles Krider, Professor, School of Business, University of Kansas, and Genna Hurd, Research Associate and Dane Hanson, Research Assistant, Institute for Policy and Social Research, University of Kansas for Kansas, Inc., August 2006.

Issues and Trends Identification in Kansas, by Mary Jane Townsend, Research Associate, Debra Franklin, Regional Labor Force Analyst, Janet Harrah, Director, and Anne Gallagher, Senior Research Associate, Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University for Kansas, Inc., December 2006.

Industry-Specific Reports

Kansas Aerospace Industry Forecast, by Janet Harrah, Director and Steven Miller, Ph.D., Regional Economic Analyst and Anne Gallagher, Senior Research Associate, Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University for Kansas, Inc., May 2006.

Agriculture Commodities Future: Assess Competitive Threats to the Kansas Economy, by James Mintert, Ph.D., Professor and Michael Woolverton, Ph.D., Professor and Terry Kastens, Ph.D., Professor and John Leatherman, Ph.D., Associate Professor, Department of Agricultural Economics, Kansas State University for Kansas, Inc., January 2006.

Energy Research Survey & Database for Kansas, by Richard Nelson, Director, Engineering Extension Programs and Andrew Barkley, Department of Agricultural Economics, Kansas State University and Scott White, Energy Research Center, University of Kansas for Kansas Inc., January 2006.

Taxation Reports

The County-to-County Migration Patterns of Kansas Taxpayers, 1985-2004, by Arthur P. Hall, Ph.D., Executive Director, Center for Applied Economics, University of Kansas School of Business and J. Scott Moody, President and Wendy P. Warcholik, Ph.D., Vice-President, Economic Analysts, Inc. for Kansas, Inc., October 2006.

Property Tax Comparisons Among Kansas Localities and Select Cities of the United States, by Arthur P. Hall, Ph.D., Executive Director, Center for Applied Economics, University of Kansas School of Business for Kansas, Inc., May 2006.

Consumer Sentiment Reports

Kansas Consumer Sentiment & Rating of State Government's Performance at Assisting the Kansas Economy 2006, by Brett Zollinger, Ph.D. Director, The Docking Institute of Public Affairs, Fort Hays State University for Kansas, Inc., December 2006.

Kansas Consumer Sentiment 3rd Quarter 2006

Kansas Consumer Sentiment 2nd Quarter 2006

Kansas Consumer Sentiment 1st Quarter 2006

Miscellaneous Reports

Attracting and Retaining National Corporate Headquarters in Kansas, by David Burress, Ad Astra Institute of Kansas, Inc. for Kansas, Inc., November 2006.

A Brief History of Workforce Development in Kansas, Kansas, Inc., June 2006.

Kansas Industry Concentration Initiative: Further Analysis of the Southeast Kansas Region, Kansas, Inc., June 2006.

Productivity Reports

A Brief Economic History of Kansas, 1969-2003: An Executive Summary for a Series of Reports, by Arthur P. Hall, Ph.D. and Peter F. Orazem, Ph.D., University of Kansas School of Business for Kansas, Inc., August 2005.

Long-Term Economic Trends in the Regions of Kansas, 1969-2003

Long-Term Industry Trends in the Regions of Kansas, 1969-2000: Part I - An Industry Focus

Long-Term Industry Trends in the Regions of Kansas, 1969-2000: Part II - A Regional Focus

Economic Trends Along the Kansas-Oklahoma Border, 1969-2003

Economic Trends Along the Kansas-Nebraska Border, 1969-2003

Economic Trends Along the Kansas-Missouri Border, 1969-2003

Economic Trends Along the Kansas-Colorado Border, 1969-2003



Upcoming Publications/Research

The following list outlines upcoming Kansas, Inc. publications and research. (This list is subject to change.) As publications are completed, they will be available through our website www.kansasinc.org or a copy may be obtained by contacting our office. Depending on availability, a charge may be associated with a hard copy. Please contact us for more information at (785) 296-1460.

Research

In-House – Vitality & Distress, Grants & Loans, Chronological History, Indicators of the Kansas Economy

Post K-12 Education & Technical Training: Meeting the Needs of the Business Community

Quantifying the Financial Burden of Health Insurance for Small Employers

Evaluation and Assessment

Evaluation of the Kansas Department of Commerce – Expected to be completed by June 2007.

Evaluation of the Kansas Technology Enterprise Corporation – Will be staged after the completion of the Commerce evaluation.

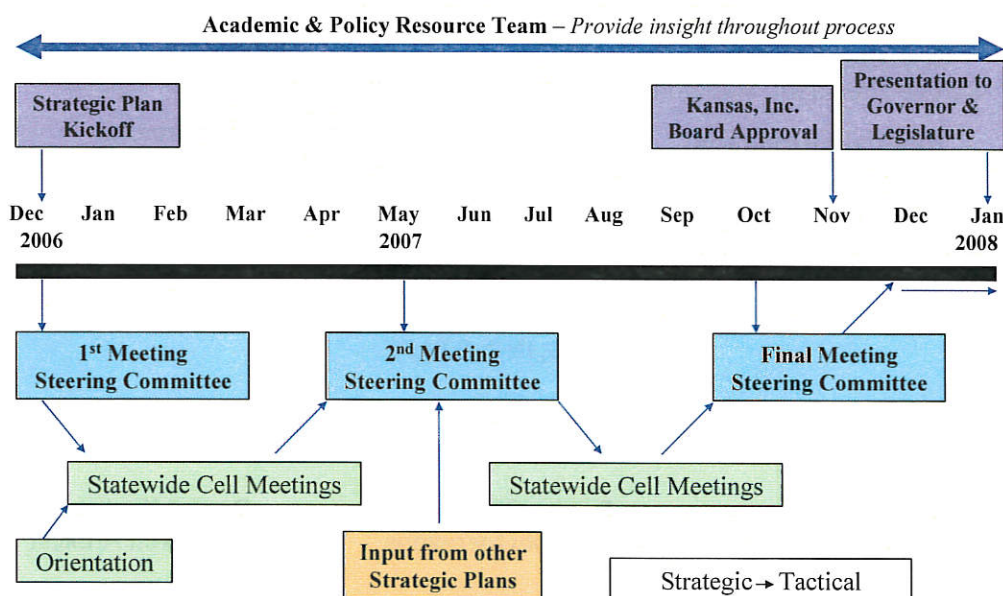
Evaluation of the Kansas Center for Entrepreneurship – As designated by statute, Kansas, Inc. will deliver the Center for Entrepreneurship evaluation to the Legislature during January 2008.

Evaluation of the Kansas Bioscience Authority – Tentatively, Kansas, Inc. will deliver the Bioscience Authority evaluation after the Center for Entrepreneurship evaluation.

Strategic Planning

Kansas, Inc. 2007 Statewide Economic Development Strategic Plan – Leveraging our Foundations & Designing the Future: A Kansas Economic Renaissance – Expected to be completed by January 2008.

2007 Strategic Planning Timeline



KANSAS, INC.

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to insure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

Co-Chaired by the Governor, Kansas, Inc. is governed by a 17-member Board of Directors. Board members, as mandated by legislation, include four members of Legislative leadership, a representative from the Board of Regents, the Secretary of Commerce, the Commanding General of the Kansas Cavalry, a representative from labor, and eight other members from the private sector representing key Kansas industrial sectors. Private sector members are appointed by the Governor and confirmed by the Kansas Senate.

Through analysis and open dialogue, Kansas, Inc. identifies policy options and builds the consensus essential for concerted action on vital economic issues. Kansas, Inc. is designed to be a public-private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio.

BOARD OF DIRECTORS

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KANSAS, INC. STAFF

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President

Melissa Brown
Administrative Assistant

Debby Fitzhugh
Director of Operations

Daniel Korber
Sr. Research Analyst

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Overview

Trends in the Kansas Economy, 1985 – 2006

This report will serve as background information for the state's strategic economic development planning effort that is being undertaken by Kansas, Inc. This report analyzes the current state of the Kansas economy as well as discusses the major trends facing the state. An understanding of the Kansas economy's strengths and weaknesses is essential to strategic planning, but, just as important is an understanding of the major trends that are taking place in the state, national, and international economies. Significant trends are changing the way businesses operate, and these trends are the focus of this analysis.

Within this report, several trends and conclusions are drawn in each section. The following highlights a few of these:

The New Integrated Global Economy – More than importing and exporting is involved in the emerging global economy, as firms integrate their operations across the national boundaries, resulting in competition, outsourcing, new markets, and new sources of capital investment.

Innovation and Technology – Crucial to Kansas economic development, technological change occurs rapidly and firms must have access to new technology to remain competitive.

Access to Financial Capital – Crucial for economic growth, the state needs to support the financing needs of entrepreneurs and existing firm expansions.

Demographic and Labor Force Trends – Population growth in urban areas, population decline in rural areas, population growth from Hispanics and Latinos, and the aging of the state's overall population are all trends affecting Kansas.

Changing Role of Historically Dominant Industries – Manufacturing, agriculture, and oil & gas industries have historically been the cornerstones of the Kansas economy, and the roles of these industries may be changing as we transition into a new integrated economy.

Focus on Services as a Source of New Employment Opportunities – The relative growth of service sectors, such as financial activities, health care, social assistance, and business demonstrates that much of the state's growth in employment will come from service-providing industries.

Growing Importance of Well-Educated and Skilled Workforce – A major trend is for firms to outsource lower-skilled work to other countries with lower wages, of which Kansas may not be able to compete, and as a result the state must focus on developing a workforce that can compete for higher-skilled, higher-wage jobs.

Continuing Lag in Personal Income – Two major trends, Kansas' per capita income and average annual pay lag the U.S., and per capita personal income in non-metropolitan areas of Kansas lags that of metropolitan areas by about 25 percent.

Competitive Position and Economic Dynamism – These measures paint a picture of Kansas as a good area in terms of infrastructure, education, and environmental policy, but mediocre to bad in terms of business incubation and the government/fiscal environment for business.

Overview

Issues and Trends Identification in Kansas

This report identifies major issues and trends that could affect the Kansas economy over the next decade. Using a literature search, an examination of statistical trends and personal interviews, 30 trends and issues are identified.

Trends and Issues – A Summary

Four trends emerge from the examination of Kansas demographic data:

- A declining labor force
- Fewer school-aged children
- More people aged 65 and older
- A larger Hispanic population

From the work force and industry data and information gathered, these trends emerge:

- A slower job growth rate than the nation
- An expected shortfall of workers through 2012
 - A reduced labor force participation rate
 - A need for skilled workers for high-paying jobs
 - A need to reverse net outflow of workers to other states and increase inflow of foreign-born workers
- A current industry structure unlikely to maximize employment growth through 2012
- Continuing unequal pay and employment opportunities for women

Below are the trends and issues surrounding Kansas trade and globalization:

- Kansas exports are growing
- The U.S. trade deficit is growing
- Outsourcing is expected to grow
- More international education is needed

The following trends emerge regarding technology infrastructure in Kansas:

- Technology infrastructure and economic growth
- Increasing Internet use
- Legislative issues
- Technology security
- The Farm Security and Rural Investment Act of 2002

Five trends emerged in our discussion of the environment:

- Declining water supply
- Polluted streams and lakes
- Loss of wetlands
- Continuing issues regarding solid waste
- Increasing development of alternative sources of energy

Five trends emerge from our rural development data:

- Depopulation in rural areas
- Continuing environmental issues
- Rural health care needs
- Changing rural economics
- Agricultural prosperity that could be dampened by lowered productivity

The issues below emerged in our discussion of agriculture and homeland security:

- Threat of foot-and-mouth disease
- Crop vulnerabilities related to terrorism
- A water supply dependent on the vigilance of day-to-day management

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Indicators of the Kansas Economy December 2006 Data Book

Dec-1

About IKE

During July 2004, the Kansas, Inc. Board of Directors initiated a project with the goal of identifying critical variables that would explain the current condition of the Kansas economy relative to its surrounding states and the U.S. The *Indicators of the Kansas Economy (IKE)* project concept was the result of a perceived need for a single source of objective and consistent information that allows public and private leadership, as well as all interested Kansans to better understand the economy and enhance decision-making capacity.

Working with a broad range of professionals, including researchers, university professors, state program staff, and the Kansas, Inc. Board of Directors, a set of 26 variables have been identified and reviewed for their comprehensiveness and ability to depict key elements of the Kansas economy. Whenever possible, regional and national data is included to illustrate how Kansas compares to both the 6-State Region and the U.S. The 6-State Region includes: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Data for most of the variables in this version of IKE was collected in the time period beginning during January 1996, enabling the data to include trends from the most recent national recession during 2001. When identifying variables, efforts centered on data that are mostly:

- Electronically accessible;
- Can be captured for all states and the U.S.; and,
- Released at least annually with preference to monthly data.

This version of the IKE report includes 21 variables, with an additional five variables to be included in future releases.

During 2005, Kansas, Inc. received a grant from the Information Network of Kansas to significantly advance the sophistication, outreach, and quality of the IKE project. Through this grant, Kansas, Inc. partnered with the University of Kansas, Policy Research Institute to develop the framework for several variables to be displayed interactively, on a county, state, regional, and national level. A portion of the project provided the model for a future IKE website where all data will be displayed and archived in a user-friendly format. Along with the framework, this project also allowed an advisory committee to provide comments and suggestions regarding the direction of the IKE project. Individuals from several organizations and backgrounds participated in this portion of the project to significantly add value to the final product. Included in the project were several suggestions and prototypes for additional variables still in the developmental stage, including a Kansas stock index, Kansas's agricultural commodity index, "Biz-Trakker", and several other variables of interest.

As the IKE project evolves, many portions remain in the developmental and experimentation stage, however, several suggestions and ideas from both the INK grant project and end-users have been incorporated into this updated version of IKE to enhance the value and usability of this report. Besides the U.S., state, and local variable analysis, a planned component of IKE is quarterly bulletins to highlight key aspects of the Kansas economy and provide a more in-depth understanding of the variables and economic issues impacting the state.

This updated release is another step in IKE becoming the one-stop resource of economic data for policymakers, university researchers and the general public. As the Kansas economy changes, Kansas, Inc. recognizes that the IKE project will continue to evolve to meet the needs of all individuals. Kansas, Inc. welcomes feedback to improve the value of future IKE releases.

For further information regarding the IKE project or any other Kansas, Inc. projects, feel free to contact us.



Indicators of the Kansas Economy December 2006 Key Trends

Dec-06

IKE - Key Trends in Kansas: September 2006

Employment and Unemployment

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Total Nonfarm Employment - (all employees, thousands)							
Kansas	1,359.3	1,355.7	1,355.0	1,255.7	0.3%	0.3%	8.3%
Private Sector Employment - (all employees, thousands)							
Kansas	1,092.8	1,095.2	1,097.6	1,009.6	-0.2%	-0.4%	8.2%
Manufacturing Employment - (all employees, thousands)							
Kansas	180.4	180.2	192.8	189.0	0.1%	-6.4%	-4.6%
Service Employment - (all employees, thousands)							
Kansas	840.5	841.5	833.3	755.3	-0.1%	0.9%	11.3%
Public Sector Employment - (all employees, thousands)							
Kansas	266.5	260.5	257.4	246.1	2.3%	3.5%	8.3%
Unemployment Rate - (%)							
Kansas	4.2%	5.0%	4.7%	4.5%	-0.8%	-0.5%	-0.3%
Initial Claims for Unemployment - (all employees)							
Kansas	11,242	10,801	14,536	9,273	4.1%	-22.7%	21.2%

Entrepreneurship

Establishment Data - (all sizes, total establishments)

	2004	2003	1999	1-yr Chg	5-yr Chg
Kansas	75,827	74,972	74,486	1.1%	1.8%

Kansas Firm Birth and Termination

	2005	2004	2000	1995	1-yr Chg	4-yr Chg	9-yr Chg
Firm Births	7,095	6,742	6,483	7,600	5.2%	9.4%	-6.6%
Firm Terminations	7,330	7,250	6,981	8,387	1.1%	5.0%	-12.6%
Firm Bankruptcies	410	268	169	419	53.0%	142.6%	-2.1%

Agriculture

KFMA Average Net Farm Income by Region

Region	NW	NC	NE	SW	SC	SE	Avg. All Assn.
2004 \$	45,801	51,670	77,393	29,927	52,709	84,394	62,604
2005 \$	66,930	42,065	68,325	23,779	36,535	76,283	56,982
5-yr avg \$	39,909	37,951	45,629	21,621	34,318	59,958	43,548
10-yr avg \$	44,783	38,700	41,724	34,852	38,451	53,686	43,747

Energy

Oil Production and Price - (most recent month of production and price)

	Aug-06	Aug-05	Aug-01	Aug-96	1-yr Chg	5-yr Chg	10-yr Chg
Production (bbl)	3,067,389	2,943,334	2,952,000	3,694,937	4.2%	3.9%	-17.0%
Price (\$/bbl)	\$ 73.04	\$ 64.98	\$ 27.37	\$ 21.90	12.4%	166.9%	233.5%

Natural Gas Production and Price - (most recent month of production and price)

Production (mcf)	30,573,132	33,032,772	41,134,974	59,683,658	-7.4%	-25.7%	-48.8%
Price (\$/mcf)	\$ 6.51	\$ 7.68	\$ 3.33	\$ 2.10	-15.2%	95.5%	210.0%

Other Economic Data

Gross State Product - (millions of current dollars)

	2005	2004	2000	1995	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	105,574	98,927	82,812	63,699	6.7%	27.5%	65.7%
6-State Region	825,072	779,988	650,792	484,864	5.8%	26.8%	70.2%
U.S.	12,409,555	11,655,335	9,749,103	7,232,722	6.5%	27.3%	71.6%

Personal Income Quarterly Estimates - (millions of dollars)

	2006-Q3	2005-Q3	2001-Q3	1996-Q3	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	94,578	90,830	77,678	60,096	4.1%	21.8%	57.4%
6-State Region	720,317	692,353	590,468	443,832	4.0%	22.0%	62.3%
U.S.	10,700,889	10,248,460	8,726,357	6,557,721	4.4%	22.6%	63.2%

Per Capita Personal Income Annual Estimates - (\$)

	2005	2004	2000	1995	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	32,948	31,312	27,694	21,558	5.2%	19.0%	52.8%
6-State Region	31,682	30,494	26,854	20,897	3.9%	18.0%	51.6%
U.S.	34,495	33,090	29,845	23,076	4.2%	15.6%	49.5%

CFNAI

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	Nov-05
CFNAI	(0.26)	(0.30)	(0.39)	0.05	(0.16)	0.31	0.88

Consumer Price Index

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Midwest Urban	192.8	190.3	172.5	155.0	1.3%	11.8%	24.4%
U.S. City Average	201.5	197.6	177.4	158.6	2.0%	13.6%	27.0%

Kansas Consumer Sentiment

4th Quarter 2005	68.2
1st Quarter 2006	82.1
2nd Quarter 2006	75.4
3rd Quarter 2006	80.7

Building Permits

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,037	1,621	877	955	-36.0%	18.2%	8.6%

Sales Tax Collections

	Aug-06	Aug-05	Aug-01	Aug-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	155,967,252	147,042,865	120,317,747	105,977,377	6.0%	22.8%	50.0%

Population

	Jul-06	Jul-05	Jul-01	Jul-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	2,764,075	2,748,172	2,702,446	2,614,554	0.6%	2.3%	5.7%



**Indicators of the Kansas Economy
December 2006 Variables**

Dec-06

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IKE - Variables

EMPLOYMENT AND UNEMPLOYMENT

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1. Total Nonfarm Employment (monthly)
2. Private Sector Employment (monthly)
3. Manufacturing Employment (monthly)
4. Service Employment (Professional Services, Information) (monthly)
5. Public Sector Employment (Federal, State, Local government) (monthly)
6. Higher-Wage Jobs (annual change in jobs for sectors above Kansas average wage) (annually)
7. Unemployment Rate (monthly)
8. Initial Claims for Unemployment (monthly)

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ENTREPRENEURSHIP

9. Establishment Data by Firm Size (annually)
10. Firm Birth and Termination (annually)
11. "Biz-Trakker" software information on businesses started, types of businesses, location *

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AGRICULTURE

12. Kansas Farm Management Data (annually)
13. Federal Reserve Board of Kansas City – Monthly Summary of the Farm Economy (monthly)
14. USDA Farm and Agriculture Data *
15. Commodity Price Index *

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ENERGY

16. Oil (price and production levels) (monthly)
17. Natural Gas (price and production levels) (monthly)

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OTHER ECONOMIC DATA

18. Gross State Product (annually)
19. Personal Income (quarterly) and Per Capita Personal Income (annually)
20. Chicago Fed National Activity Index (CFNAI) (monthly)
21. Consumer Price Index (monthly)
22. Kansas Consumer Sentiment (quarterly)
23. Building Permits, New Private Residences (monthly)
24. Kansas, Inc. Developed Index of Stocks *
25. Kansas Sales Tax Collections (monthly)
26. Population (annually)

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* Available in Future IKE Reports



Indicators of the Kansas Economy Total Nonfarm Employment

Dec-06

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Short-Term - 2005 to 2006

- Kansas total nonfarm employment up 3,600 (0.3%)
- 6-State Region total nonfarm employment up 136,000 (1.3%)
- U.S. total nonfarm employment up 1,787,000 (1.3%)

Long-Term - 1996 to 2006

- Kansas total nonfarm employment up 103,600 (8.3%)
- 6-State Region total nonfarm employment up 1,045,300 (11.3%)
- U.S. total nonfarm employment up 15,261,000 (12.5%)

November 2006 Total Nonfarm Employment Levels

(all employees, thousands)

State	Employment
Kansas	1,359.3
Arkansas	1,202.2
Colorado	2,291.7
Iowa	1,535.7
Missouri	2,780.4
Nebraska	965.4
Oklahoma	1,558.0

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors.

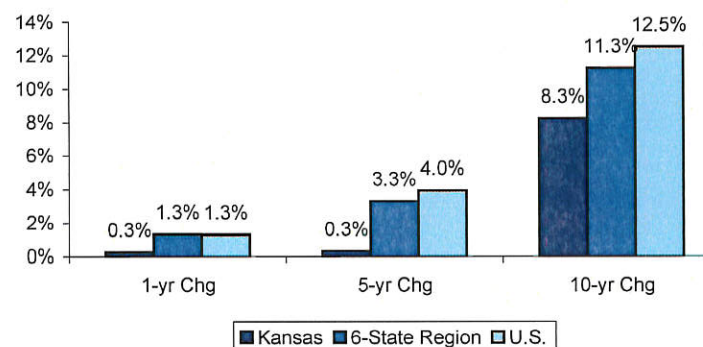
The data series chosen for IKE are not adjusted for seasonal variation.

Total Nonfarm Employment

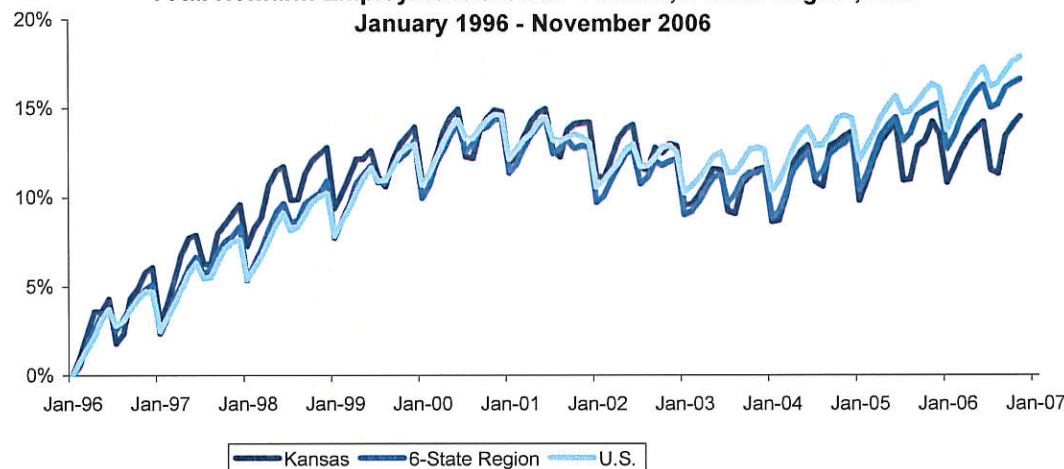
(all employees, thousands)

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,359.3	1,355.7	1,355.0	1,255.7	0.3%	0.3%	8.3%
6-State Region	10,333.4	10,197.4	10,002.6	9,288.1	1.3%	3.3%	11.3%
U.S.	137,103.0	135,316.0	131,880.0	121,842.0	1.3%	4.0%	12.5%

Percent Change in Total Nonfarm Employment
1yr, 5yr, 10yr



Total Nonfarm Employment Growth - Kansas, 6-State Region, U.S.
January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Private Sector Employment

Dec-06

Short-Term - 2005 to 2006

- Kansas private sector employment down 2,400 (-0.2%)
- 6-State Region private sector employment up 105,600 (1.3%)
- U.S. private sector employment up 1,504,000 (1.3%)

Long-Term - 1996 to 2006

- Kansas private sector employment up 83,200 (8.2%)
- 6-State Region private sector employment up 849,400 (11.0%)
- U.S. private sector employment up 12,677,000 (12.5%)

November 2006 Private Sector Employment Levels

(all employees, thousands)

State	Employment
Kansas	1,092.8
Arkansas	989.6
Colorado	1,911.9
Iowa	1,279.7
Missouri	2,334.4
Nebraska	796.3
Oklahoma	1,230.7

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors.

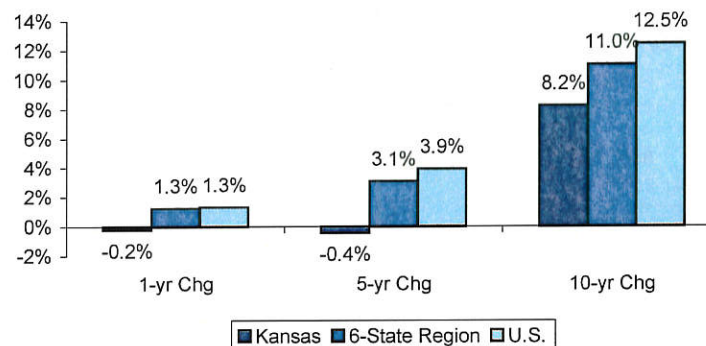
The data series chosen for IKE are not adjusted for seasonal variation.

Private Sector Employment

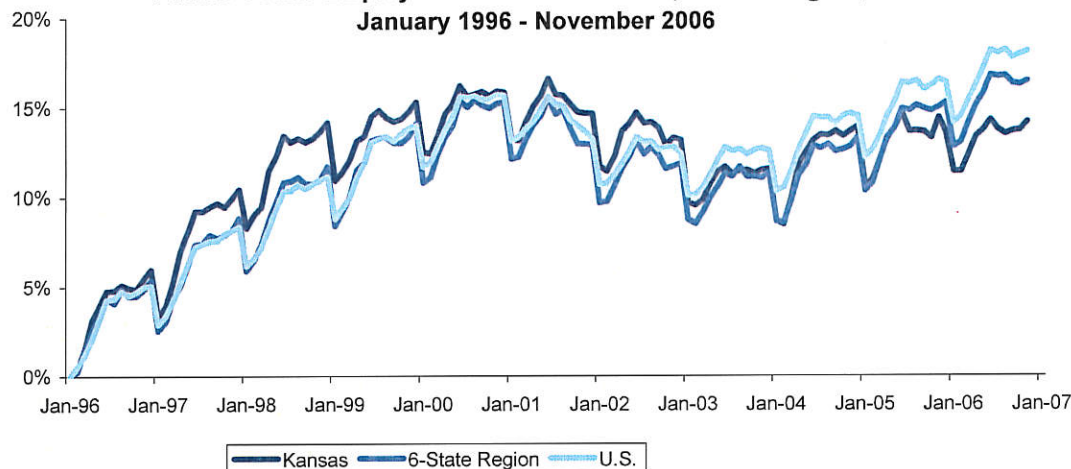
(all employees, thousands)

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,092.8	1,095.2	1,097.6	1,009.6	-0.2%	-0.4%	8.2%
6-State Region	8,542.6	8,437.0	8,286.8	7,693.2	1.3%	3.1%	11.0%
U.S.	114,489.0	112,985.0	110,148.0	101,812.0	1.3%	3.9%	12.5%

Percent Change in Private Sector Employment
1yr, 5yr, 10yr



Private Sector Employment Growth - Kansas, 6-State Region, U.S.
January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Manufacturing Employment

Dec-06

Short-Term - 2005 to 2006

- Kansas manufacturing employment up 200 (0.1%)
- 6-State Region manufacturing employment down 6,400 (-0.6%)
- U.S. manufacturing employment down 58,000 (-0.4%)

Long-Term - 1996 to 2006

- Kansas manufacturing employment down 8,600 (-4.6%)
- 6-State Region manufacturing employment down 184,300 (-14.0%)
- U.S. manufacturing employment down 3,138,000 (-18.1%)

November 2006 Manufacturing Employment Levels

(all employees, thousands)

State	Employment
Kansas	180.4
Arkansas	192.6
Colorado	151.8
Iowa	236.0
Missouri	300.6
Nebraska	103.0
Oklahoma	147.8

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors.

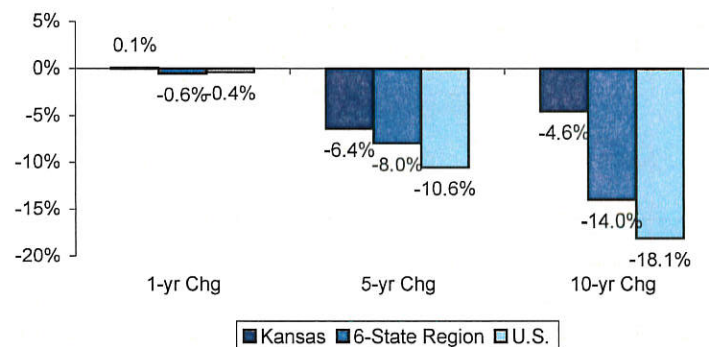
The data series chosen for IKE are not adjusted for seasonal variation.

Manufacturing Employment

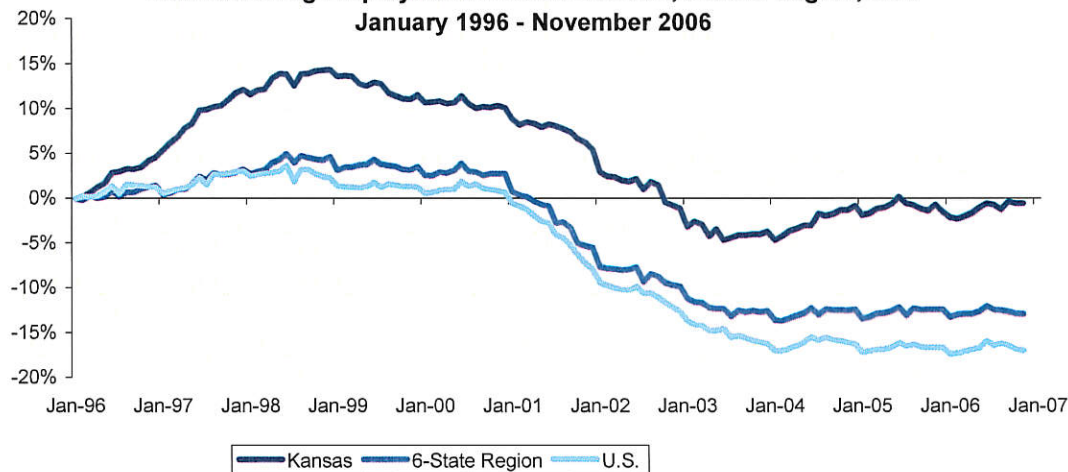
(all employees, thousands)

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	180.4	180.2	192.8	189.0	0.1%	-6.4%	-4.6%
6-State Region	1,131.8	1,138.2	1,230.3	1,316.1	-0.6%	-8.0%	-14.0%
U.S.	14,175.0	14,233.0	15,847.0	17,313.0	-0.4%	-10.6%	-18.1%

Percent Change in Manufacturing Employment
1yr, 5yr, 10yr



Manufacturing Employment Growth - Kansas, 6-State Region, U.S.
January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Service Employment

Dec-06

Short-Term - 2005 to 2006

- Kansas service employment down 1,000 (-0.1%)
- 6-State Region service employment up 93,100 (1.4%)
- U.S. service employment up 1,478,000 (1.6%)

Long-Term - 1996 to 2006

- Kansas service employment up 85,200 (11.3%)
- 6-State Region service employment up 885,000 (15.0%)
- U.S. service employment up 13,982,000 (17.9%)

November 2006 Service Employment Levels

(all employees, thousands)

State	Employment
Kansas	840.5
Arkansas	733.9
Colorado	1,571.4
Iowa	960.6
Missouri	1,883.5
Nebraska	646.5
Oklahoma	973.6

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for the series come from a monthly survey of employers. The data are subject to major and minor revisions. The series counts the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the manufacturing sector and one in the service sector, would be counted in both sectors. The data series chosen for IKE are not adjusted for seasonal variation.

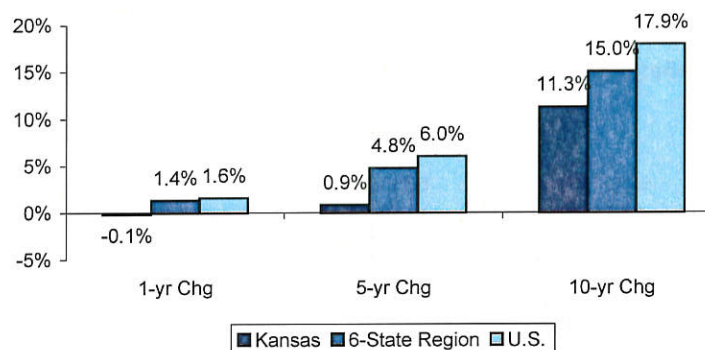
Kansas, Inc., has defined the overall service sector to include the following detailed BLS sectors: trade, transportation, and utilities; information; finance; professional and business; education and health; leisure and hospitality; and other services.

Service Employment

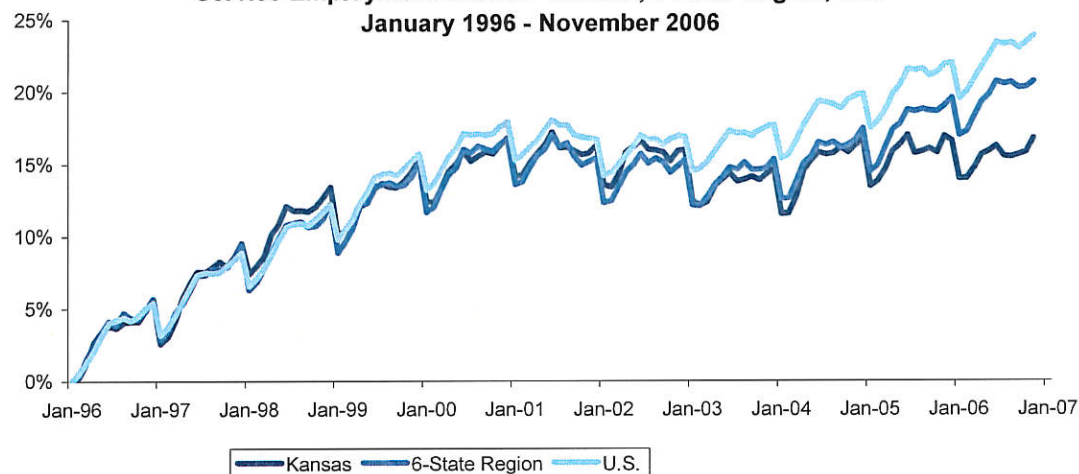
(all employees, thousands)

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	840.5	841.5	833.3	755.3	-0.1%	0.9%	11.3%
6-State Region	6,769.5	6,676.4	6,460.9	5,884.5	1.4%	4.8%	15.0%
U.S.	92,061.0	90,583.0	86,813.0	78,079.0	1.6%	6.0%	17.9%

Percent Change in Service Employment
1yr, 5yr, 10yr



Service Employment Growth - Kansas, 6-State Region, U.S.
January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Public Employment

Dec-06

Short-Term - 2005 to 2006

- Kansas public sector employment up 6,000 (2.3%)
- 6-State Region public sector employment up 30,400 (1.7%)
- U.S. public sector employment up 283,000 (1.3%)

Long-Term - 1996 to 2006

- Kansas public sector employment up 20,400 (8.3%)
- 6-State Region public sector employment up 195,900 (12.3%)
- U.S. public sector employment up 2,584,000 (12.9%)

November 2006 Public Sector Employment Levels

(all employees, thousands)

State	Employment
Kansas	266.5
Arkansas	212.6
Colorado	379.8
Iowa	256.0
Missouri	446.0
Nebraska	169.1
Oklahoma	327.3

About the data and graphs

The Bureau of Labor Statistics (BLS) publishes several monthly data series on employment by sector from its Current Employment Statistics (CES) program. Data for series come from a monthly survey of employers. The data are subject to major and minor revisions. The series count the number of jobs in the state or region, not the number of employed people. Hence a person with two jobs, one in the public sector and one in retail, would be counted in both sectors.

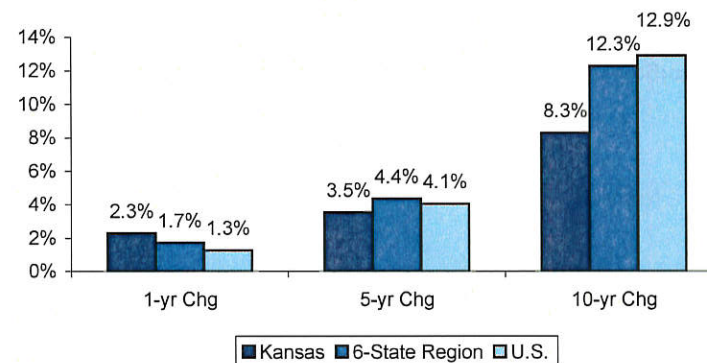
The data series chosen for IKE are not adjusted for seasonal variation; hence the short term employment graph shows substantial decreases in July and August when most public school personnel are off the job.

Public Sector Employment

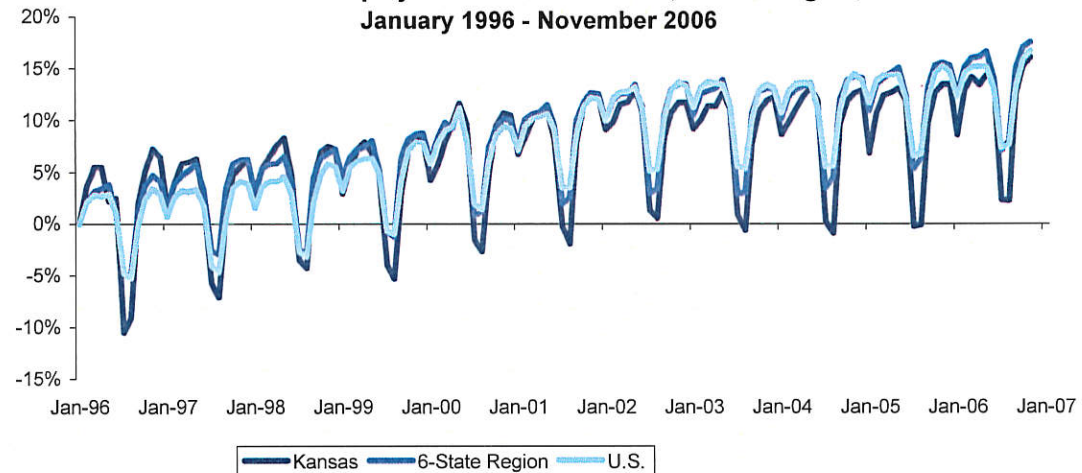
(all employees, thousands)

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	266.5	260.5	257.4	246.1	2.3%	3.5%	8.3%
6-State Region	1,790.8	1,760.4	1,715.8	1,594.9	1.7%	4.4%	12.3%
U.S.	22,614.0	22,331.0	21,732.0	20,030.0	1.3%	4.1%	12.9%

Percent Change in Public Sector Employment
1yr, 5yr, 10yr



Public Sector Employment Growth - Kansas, 6-State Region, U.S.
January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Unemployment and Unemployment Rate

Dec-06

Short-Term - 2005 to 2006

- Kansas unemployment down 11,978 (-16.2%)
- 6-State Region unemployment down 39,794 (-7.9%)
- U.S. unemployment down 695,000 (-9.6%)
- Kansas unemployment rate down (-0.8%)
- 6-State Region unemployment rate down (-0.4%)
- U.S. unemployment rate down (-0.5%)

Long-Term - 1996 to 2006

- Kansas unemployment down 228 (-0.4%)
- 6-State Region unemployment up 57,878 (14.2%)
- U.S. unemployment down 240,000 (-3.5%)
- Kansas unemployment rate down (-0.3%)
- 6-State Region unemployment rate up (0.1%)
- U.S. unemployment rate down (-0.7%)

About the data and graphs

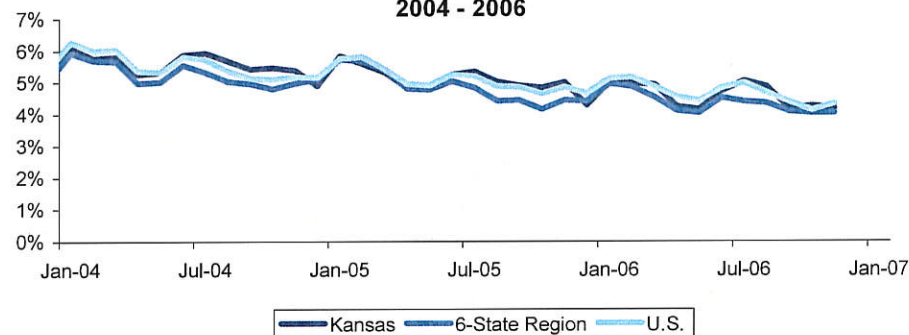
The unemployment rate represents the number unemployed as a percent of the labor force. As defined in the Current Population Survey, unemployed persons are persons aged 16 years and older who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.

The unemployment rate contains a seasonal component, it rises during summer as new high school and college graduates enter the civilian labor force and in January, when retailers lay off holiday employees. The unemployment rate also contains a business cycle component, rising during recessionary periods when people currently in the labor force lose jobs.

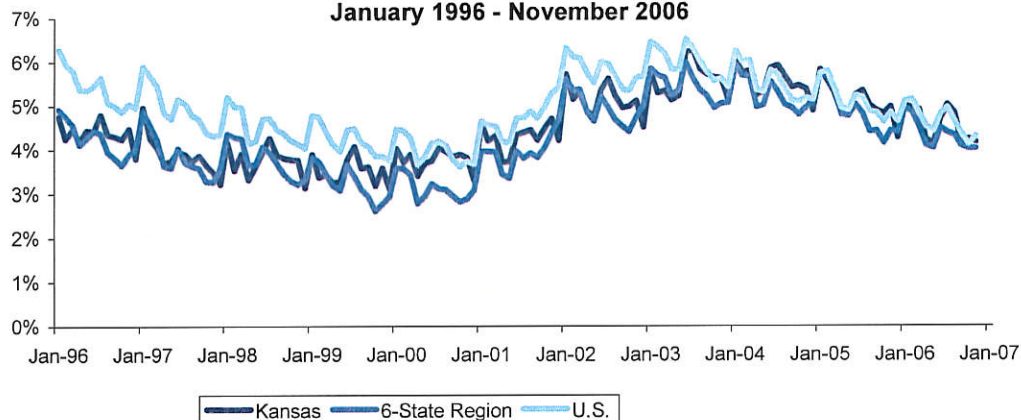
Unemployment and Unemployment Rate (all employees)

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	61,907	73,885	66,589	62,135	-16.2%	-7.0%	-0.4%
6-State Region	464,742	504,536	480,141	406,864	-7.9%	-3.2%	14.2%
U.S.	6,576,000	7,271,000	7,617,000	6,816,000	-9.6%	-13.7%	-3.5%
Kansas (%)	4.2%	5.0%	4.7%	4.5%	-0.8%	-0.5%	-0.3%
6-State Region (%)	4.0%	4.4%	4.4%	3.9%	-0.4%	-0.4%	0.1%
U.S. (%)	4.3%	4.8%	5.3%	5.0%	-0.5%	-1.0%	-0.7%

Unemployment Rate - Kansas, 6-State Region, U.S.
2004 - 2006



Unemployment Rate - Kansas, 6-State Region, U.S.
January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://www.bls.gov/bls/employment.htm>



Indicators of the Kansas Economy Initial Claims for Unemployment

Dec-06

Short-Term - 2005 to 2006

- Kansas initial claims up 441 (4.1%)
- 6-State Region initial claims up 8,073 (8.8%)
- U.S. initial claims down 22,112 (1.5%)

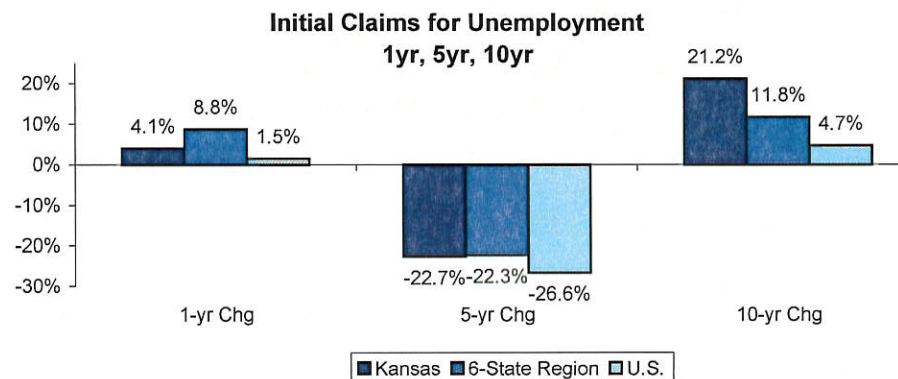
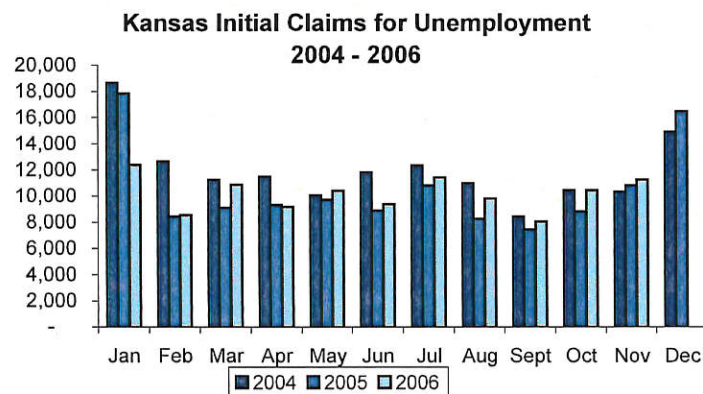
Long-Term - 1996 to 2006

- Kansas initial claims up 1,969 (21.2%)
- 6-State Region initial claims up 10,575 (11.8%)
- U.S. initial claims up 68,521 (4.7%)

Initial Claims for Unemployment

(all employees)

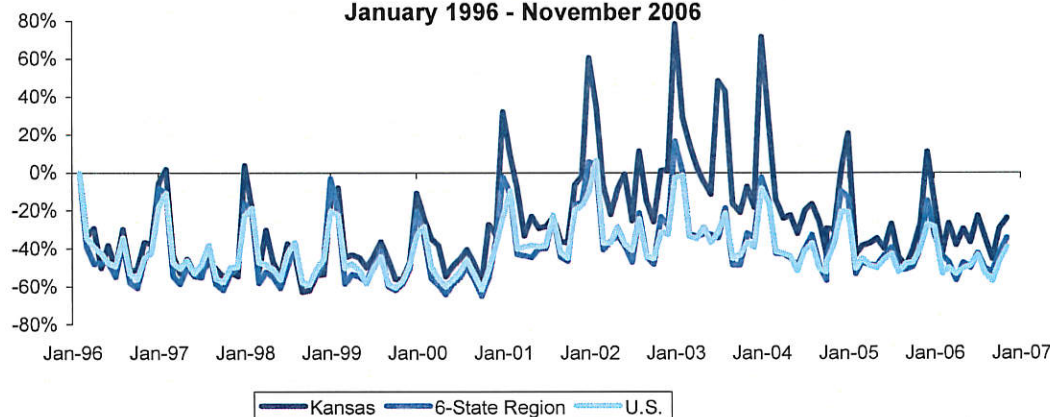
	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	11,242	10,801	14,536	9,273	4.1%	-22.7%	21.2%
6-State Region	100,086	92,013	128,832	89,511	8.8%	-22.3%	11.8%
U.S.	1,518,648	1,496,536	2,067,739	1,450,127	1.5%	-26.6%	4.7%



About the data and graphs

Initial claims for unemployment count the number of applications of workers who separated from their jobs and who wish to begin unemployment compensation or to extend the period of eligibility. The data are collected by the U.S. Department of Labor, Employment and Training Administration. The data produced by this agency are not seasonally adjusted. Initial claims for unemployment typically rise as the economy moves into recession and fall as the economy recovers. Initial claims for unemployment traditionally peak in the winter months of November, December, and January.

Initial Claims For Unemployment - Kansas, 6-State Region, U.S. January 1996 - November 2006



November 2006 monthly data

Source: U.S. Department of Labor - Employment and Training Administration -

<http://workforcesecurity.doleta.gov/unemploy/claimssum.asp>



Short-Term - 2003 to 2004

- Kansas total establishments up 855 (1.1%)
- 6-State Region total establishments up 10,388 (1.8%)
- U.S. total establishments up 132,979 (1.8%)

Long-Term - 1999 to 2004

- Kansas total establishments up 1,341 (1.8%)
- 6-State Region total establishments up 30,134 (5.4%)
- U.S. total establishments of 379,280 (5.4%)

Kansas Establishment Data (by establishment size)

Year	1-9	10-49	50-99	100+
1999	54,885	15,836	2,082	1,683
2000	54,836	16,207	2,198	1,698
2001	54,716	16,032	2,120	1,697
2002	55,202	16,176	2,090	1,609
2003	54,977	16,228	2,151	1,616
2004	55,837	16,216	2,159	1,615
1yr%	1.6%	-0.1%	0.4%	-0.1%
5yr%	1.7%	2.4%	3.7%	-4.0%

About the data and graphs

According to the U.S. Small Business Administration, small businesses provide approximately 75 percent of the net new jobs added to the economy and employ 50.1 percent of the private work force. Encouraging entrepreneurship and fostering opportunities for small businesses are key components of the Economic Growth Act of 2004. This data tracks the number of business establishments by employee size to help understand what size businesses are growing.

Indicators of the Kansas Economy Establishment Data

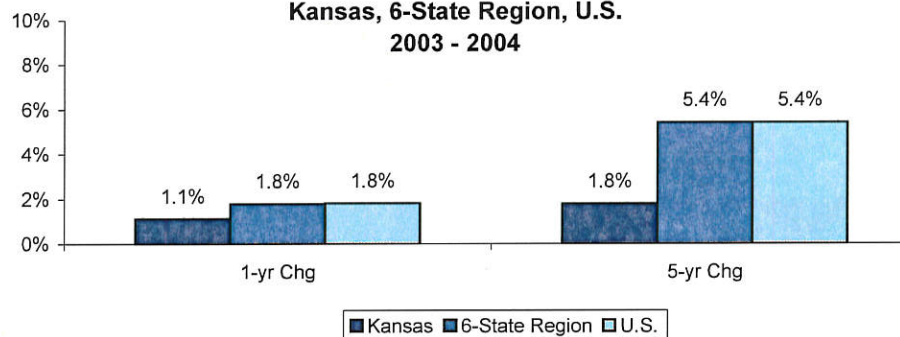
Dec-06

Establishment Data

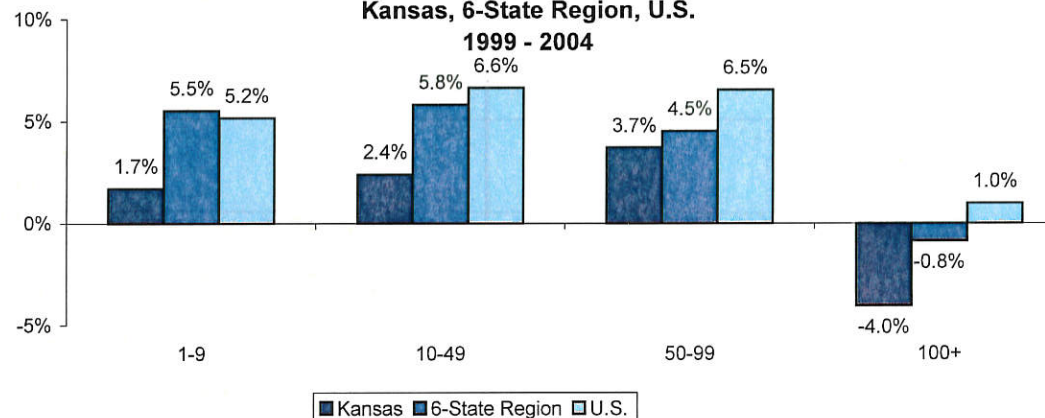
(all sizes, total establishments)

	2004	2003	1999	1-yr Chg	5-yr Chg
Kansas	75,827	74,972	74,486	1.1%	1.8%
6-State Region	586,523	576,135	556,389	1.8%	5.4%
U.S.	7,387,724	7,254,745	7,008,444	1.8%	5.4%

**Percent Change in Total Establishments
Kansas, 6-State Region, U.S.
2003 - 2004**



**Growth in Establishments by Employee Size
Kansas, 6-State Region, U.S.
1999 - 2004**





Indicators of the Kansas Economy Kansas Firm Birth and Termination

Dec-06

Short-Term - 2004 to 2005

- Firm Births up 353 (5.2%)
- Firm Terminations up 80 (1.1%)
- Firm Bankruptcies up 142 (53.0%)

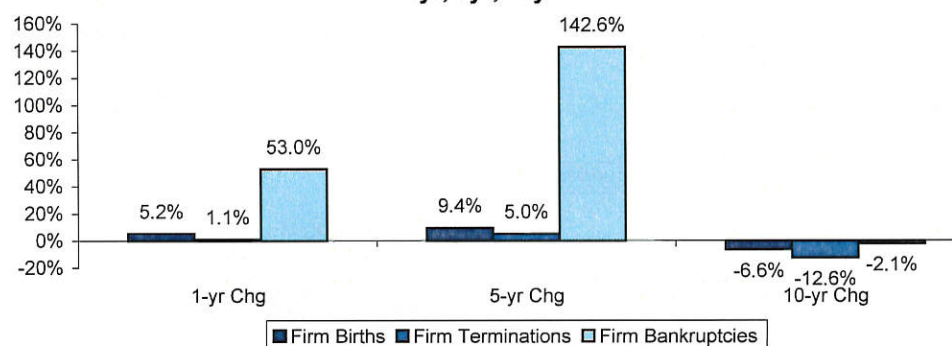
Long-Term - 1995 to 2005

- Firm Births down 505 (-6.6%)
- Firm Terminations down 1,057 (-12.6%)
- Firm Bankruptcies down 9 (-2.1%)

Kansas Firm Birth and Termination

	2005	2004	2000	1995	1-yr Chg	5-yr Chg	10-yr Chg
Firm Births	7,095	6,742	6,483	7,600	5.2%	9.4%	-6.6%
Firm Terminations	7,330	7,250	6,981	8,387	1.1%	5.0%	-12.6%
Firm Bankruptcies	410	268	169	419	53.0%	142.6%	-2.1%

Percent Change in Kansas
Firm Birth, Termination, Bankruptcies
1yr, 5yr, 10yr



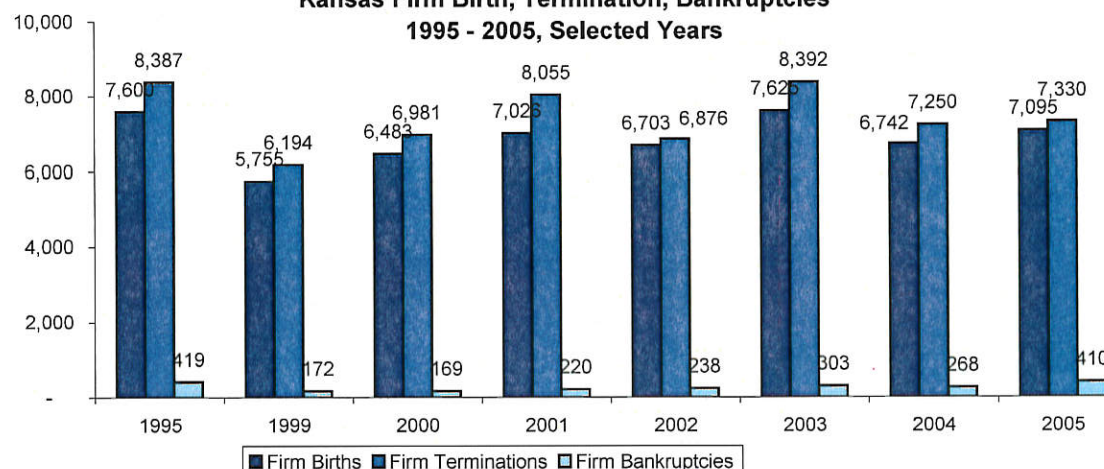
About the data and graphs

Tracking the number of employer firm births, terminations, and bankruptcies may help understand the environment for new firm development.

Firms terminate operations for a variety of reasons, not all of which have a negative impact on the economy. For example, an owner of a profitable small business may choose to cease operations to become an employee of another firm or a new business opportunity replaces an outmoded operation. Firm termination rates are nearly always higher than firm formations, as some firm terminations result in a successor firm (firms that are acquired by a new owner) which is not listed as a new firm.

Firm bankruptcies are included in the count of firm terminations.

Kansas Firm Birth, Termination, Bankruptcies
1995 - 2005, Selected Years



2005 annual data

Source: U.S. Small Business Administration - Office of Advocacy -

<http://www.sba.gov/advo/research/profiles>



Indicators of the Kansas Economy Kansas Farm Management Association Data

Dec-06

2.13

Short-Term - 2005

- 1,532 farms reported farm operation data to KFMA
- KFMA farms averaged \$294,230 in value of farm production
- \$237,247 in total farm expense
- KFMA average net farm income was \$56,982
- SE region had the highest net farm income at \$76,283
- SW region had the lowest net farm income at \$23,779

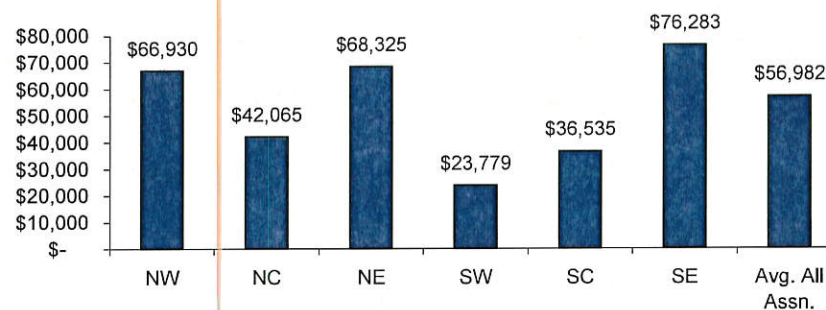
KFMA Average Net Farm Income by Region

Region	NW	NC	NE	SW	SC	SE	Avg. All Assn.
2004	\$ 45,801	\$ 51,670	\$ 77,393	\$ 29,927	\$ 52,709	\$ 84,394	\$ 62,604
2005	\$ 66,930	\$ 42,065	\$ 68,325	\$ 23,779	\$ 36,535	\$ 76,283	\$ 56,982
5-yr avg	\$ 39,909	\$ 37,951	\$ 45,629	\$ 21,621	\$ 34,318	\$ 59,958	\$ 43,548
10-yr avg	\$ 44,783	\$ 38,700	\$ 41,724	\$ 34,852	\$ 38,451	\$ 53,686	\$ 43,747

Long-Term - 1995 to 2005

- KFMA average net farm income varies widely from year to year
- From 2000 to 2005, average net farm income was \$43,548
- From 1995 to 2005, average net farm income was \$43,747

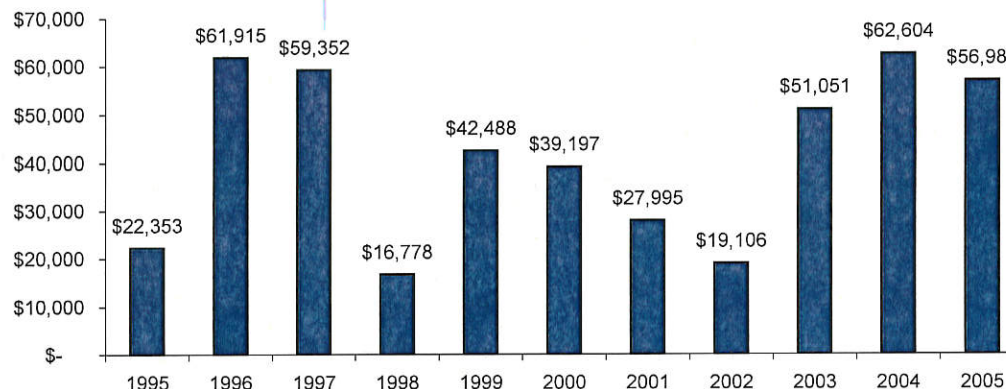
2005 Kansas Farm Management Association Average Net Farm Income by Region



About the data and graphs

The Kansas Farm Management Association (KFMA) program is one of the largest publicly funded farm management programs in the U.S. Membership in the KFMA program includes over 2,500 farms and over 3,200 families. The goal of the KFMA program are to provide each member with information about business and family costs to improve farm business organization, farm business decisions, and farm profitability; and minimize risk. The KFMA program is organized into six regional associations.

Kansas Farm Management Association Average Net Farm Income 1995 - 2005



2005 annual data

Source: Kansas State University - Kansas Farm Management Association -

www.agecon.ksu.edu/kfma

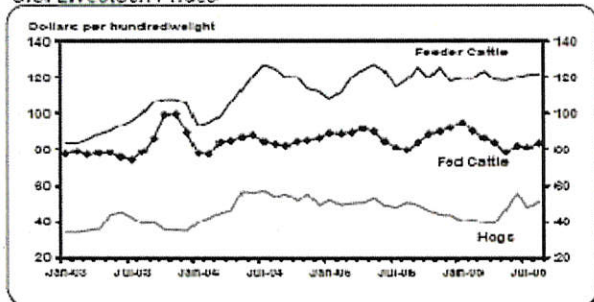
Overview (August 2006):

Livestock prices were stronger in August while crop prices fell throughout most of the month. Strong beef demand underpinned fed cattle prices, despite the large numbers of cattle in feedlots. Feeder cattle prices remained solid due to continued short supplies of feeder calves. Crop prices tumbled after USDA's prediction of large corn and soybean crops this fall. Soybean markets had not turned higher at the end of the month due to a combination of large supplies and big crop expectation. Corn and wheat prices, however, did tick upward at the end of August. Although a large corn crop is expected this fall, soaring ethanol production will continue to use more of the crop and trim available corn stocks in the coming years. Wheat prices moved up due to low supplies globally.

Drought conditions spurred early concerns about the corn and soybean crops. But these concerns did not materialize as timely moisture was received in major corn and soybean producing regions during the critical points of the growing season. As a result, nearly 60 percent of both crops were in good to excellent condition at the end of the month. Pasture conditions, however, have suffered from the drought in many regions and only 23 percent of the nation's pasture area was in good or excellent condition. This has caused ranchers to cull their herds in many parts of Texas, Oklahoma, and the northern Plains. Thus the current expansion of the nation's cattle herd could slow. Going forward, the most recent drought outlook does suggest a large area of improvement throughout the central United States.

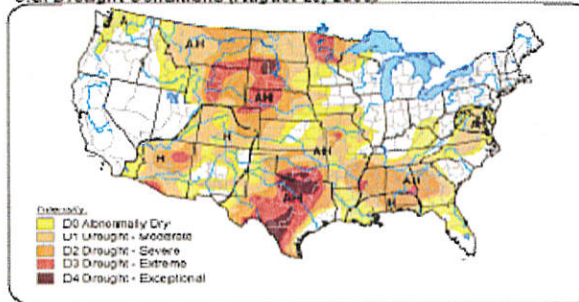
USDA released an updated forecast of U.S. net farm income in August. Net farm income is expected to decline significantly from the record-setting levels of the previous two years. At \$54.4 billion, the estimate is also below the 10-year average. Lower livestock receipts and government payments and higher farm expenses led to the decline in the forecast of overall farm income.

U.S. Livestock Prices



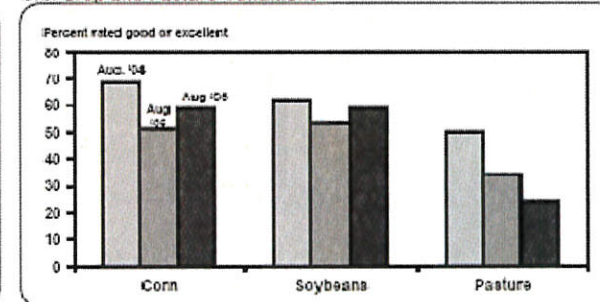
Source: The Wall Street Journal and USDA

U.S. Drought Conditions (August 29, 2006)



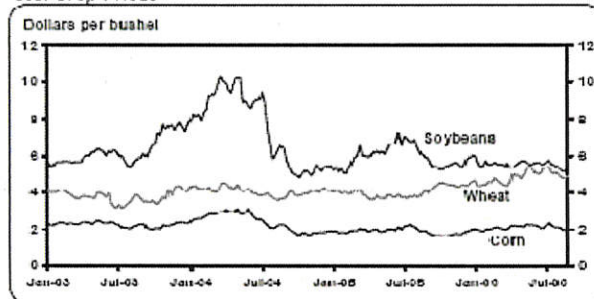
Source: National Drought Mitigation Center

U.S. Crop and Pasture Conditions



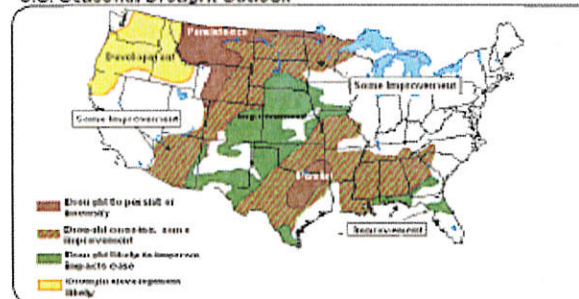
Source: USDA

U.S. Crop Prices



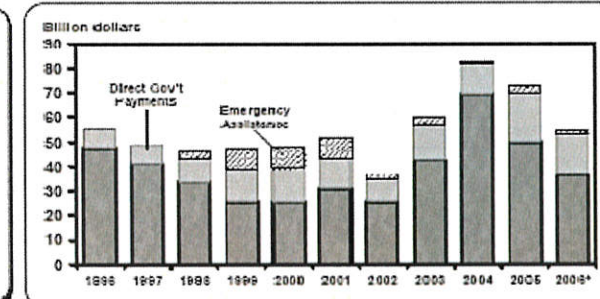
Source: The Wall Street Journal

U.S. Seasonal Drought Outlook



Source: Climate Prediction Center

U.S. Net Farm Income



Source: USDA

*Forecast

August 2006 monthly data

Source: Federal Reserve Bank of Kansas City and USDA -

www.kc.frb.org/ruralcenter/ata glance/ata glance main.htm



Indicators of the Kansas Economy Kansas Oil Production and Price

Dec-06

Short-Term - 2005 to 2006

- Kansas oil production up 124,055 bbl (4.2%)
- Kansas oil price up \$8.1 (12.4%)

Long-Term - 1996 to 2006

- Kansas oil production down 627,548 bbl (-17.0%)
- Kansas oil price up \$51.1 (233.5%)

2006 Oil Production/Price

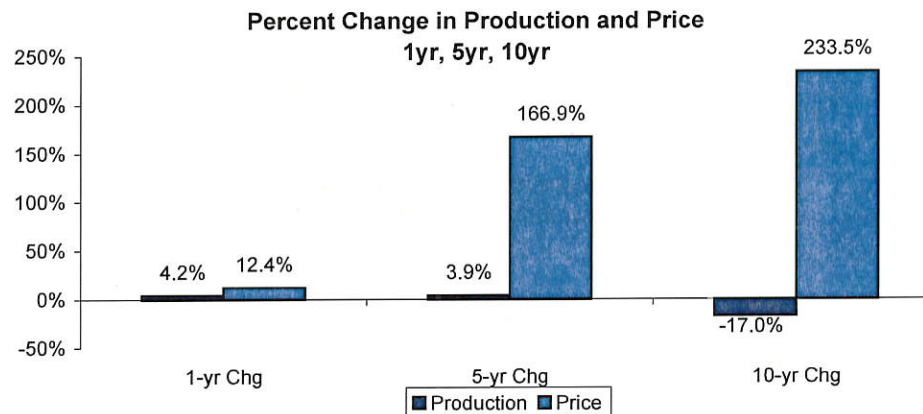
Month	Production*	Price	Month	Production*	Price
January	3,008,738	\$ 65.48	July	2,997,402	\$ 74.41
February	2,694,619	\$ 61.63	August	3,067,389	\$ 73.04
March	3,027,141	\$ 62.69	September		\$ 63.80
April	2,929,625	\$ 69.44	October		\$ 58.89
May	3,114,128	\$ 70.84	November		\$ 59.08
June	2,990,271	\$ 70.95	December		

* Recent months production usually incomplete and revised upwards.

Oil Production* and Price

(most recent month of both production and price information)

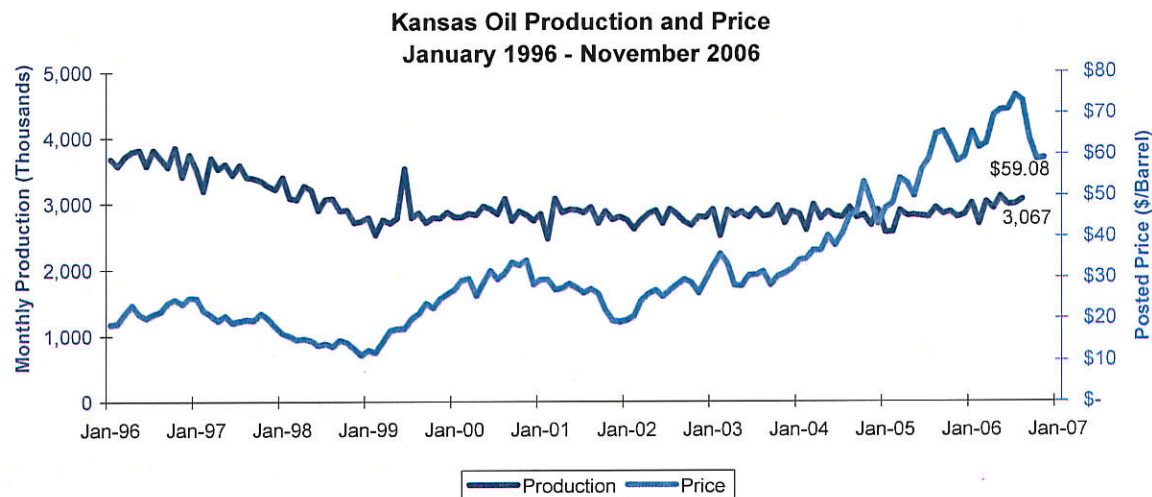
	Aug-06	Aug-05	Aug-01	Aug-96	1-yr Chg	5-yr Chg	10-yr Chg
Production (bbl)	3,067,389	2,943,334	2,952,000	3,694,937	4.2%	3.9%	-17.0%
Price (\$/bbl)	\$ 73.04	\$ 64.98	\$ 27.37	\$ 21.90	12.4%	166.9%	233.5%



About the data and graphs

Since the 1990's, monthly production of oil has steadily declined in Kansas. Kansas has experienced a natural decline in oil production as it becomes increasingly difficult to extract oil over time. CO₂ sequestration and other oil recovery techniques show great promise in recovering a larger share of the know oil reserves in Kansas. The higher prices received for oil along with new technology developments have helped to stabilize oil production levels since 1999.

These prices represent the Cushing, OK WTI Spot Price FOB (\$/Barrel). The amount of oil produced is measured in bbl (barrels of oil).



2006 monthly data

Source: Kansas Geological Survey, Energy Information Administration -

<http://www.eia.doe.gov/>

<http://www.qgs.ku.edu/PRS/petro/interactive.html>



Indicators of the Kansas Economy Kansas Natural Gas Production and Price

Dec-06

Short-Term - 2005 to 2006

- Kansas natural gas production down 2,459,640 mcf (-7.4%)
- Kansas natural gas price down \$1.2 (-15.2%)

Long-Term - 1996 to 2006

- Kansas natural gas production down 29,110,526 mcf (-48.8%)
- Kansas natural gas price up \$4.4 (210.0%)

2006 Natural Gas Production/Price

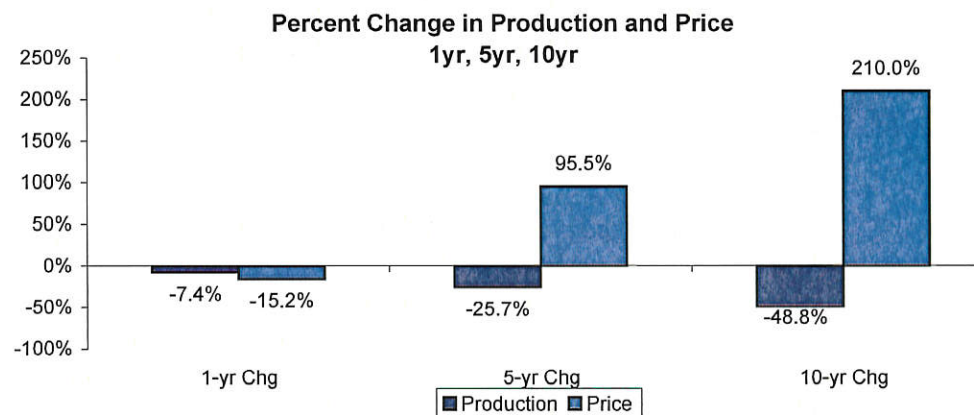
Month	Production*	Price	Month	Production*	Price
January	31,697,928	\$ 8.66	July	31,699,798	\$ 5.82
February	28,149,870	\$ 7.28	August	30,573,132	\$ 6.51
March	31,285,177	\$ 6.52	September		\$ 5.51
April	30,392,971	\$ 6.59	October		
May	31,414,951	\$ 6.19	November		
June	30,716,870	\$ 5.80	December		

* Recent months production usually incomplete and revised upwards.

Natural Gas Production* and Price

(most recent month of both production and price information)

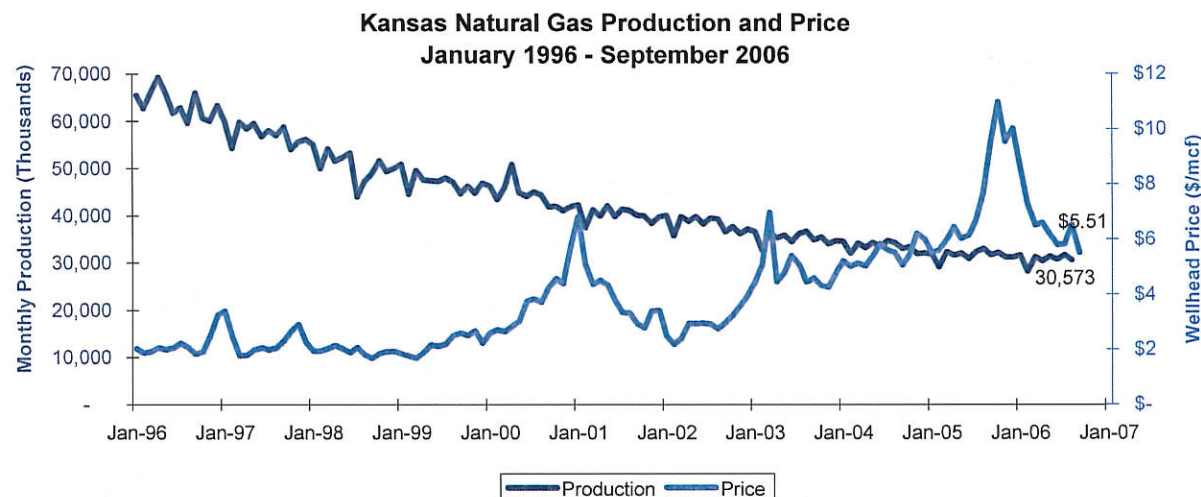
	Aug-06	Aug-05	Aug-01	Aug-96	1-yr Chg	5-yr Chg	10-yr Chg
Production (mcf)	30,573,132	33,032,772	41,134,974	59,683,658	-7.4%	-25.7%	-48.8%
Price (\$/mcf)	\$ 6.51	\$ 7.68	\$ 3.33	\$ 2.10	-15.2%	95.5%	210.0%



About the data and graphs

Since the 1990's, the monthly production of natural gas has declined in Kansas, as the Hugoton natural gas field has decreased in production. The Hugoton natural gas field is the state's largest natural gas field and extends into Oklahoma and Texas. As with Kansas oil production, natural gas production is experiencing a natural decline in production. Price for natural gas has remained fairly constant in the 1990's, and since March 1999 prices have rose considerably.

These prices represent wellhead price, the value at the mouth of the well. The amount of natural gas produced is measured in Mcf's (thousand cubic feet).



2006 monthly data

Source: Kansas Geological Survey, Energy Information Administration -

<http://www.eia.doe.gov/>

<http://www.kgs.ku.edu/PRS/petro/interactive.html>



Indicators of the Kansas Economy Gross State Product

Dec-06

Short-Term - 2004 to 2005

- Kansas GSP up \$6,647 million (6.7%)
- 6-State Region GSP up \$45,084 million (5.8%)
- U.S. GSP up \$754,220 million (6.5%)

Long-Term - 1995 to 2005

- Kansas GSP up \$41,875 million (65.7%)
- 6-State Region GSP up \$340,208 million (70.2%)
- U.S. GSP up \$5,176,833 million (71.6%)

2005 Gross State Product

(millions of current dollars)

Region	Gross State Product
Kansas	\$ 105,574
Arkansas	\$ 86,752
Colorado	\$ 216,537
Iowa	\$ 113,552
Missouri	\$ 216,065
Nebraska	\$ 70,676
Oklahoma	\$ 121,490
6-St Region (w/o KS)	\$ 825,072
U.S.	\$ 12,409,555

About the data and graphs

GSP captures state economic growth, providing an overall analysis of the performance of the economy. GSP is the value added in production by the labor and property located in the state.

In concept, an industry's GSP, referred to as its "value added," is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported.)

All GSP data is displayed in current dollars and are not adjusted for inflation.

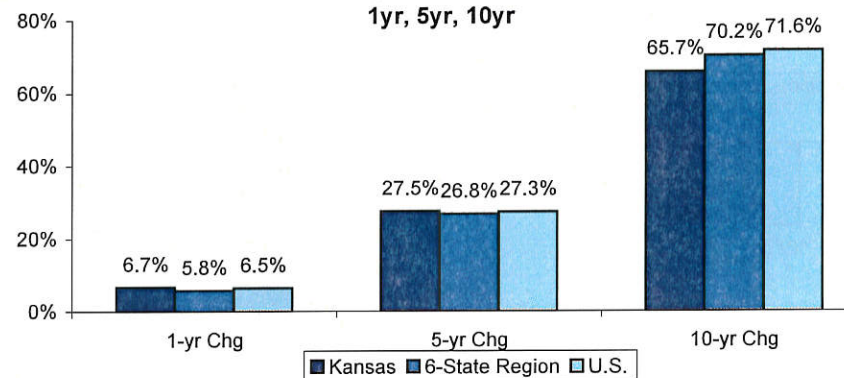
Gross State Product

(millions of current dollars)

	2005	2004	2000	1995	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	105,574	98,927	82,812	63,699	6.7%	27.5%	65.7%
6-State Region	825,072	779,988	650,792	484,864	5.8%	26.8%	70.2%
U.S.	12,409,555	11,655,335	9,749,103	7,232,722	6.5%	27.3%	71.6%

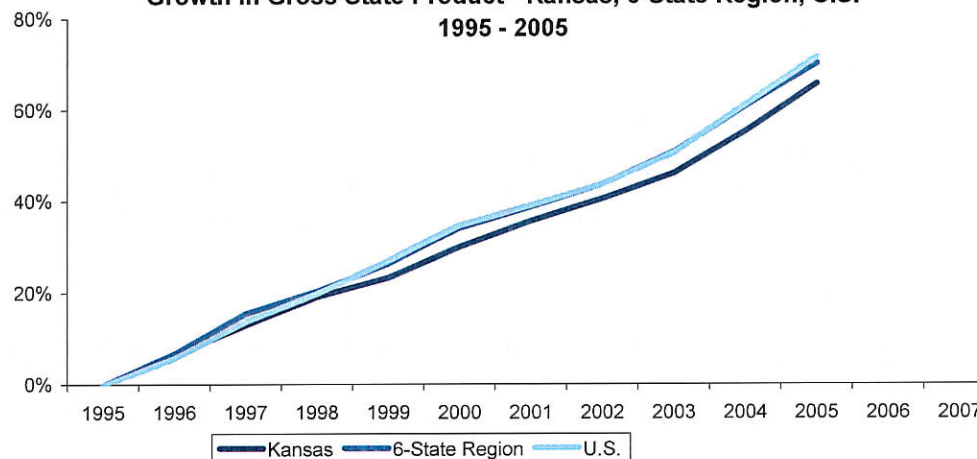
Percent Change in Gross State Product

1yr, 5yr, 10yr



Growth in Gross State Product - Kansas, 6-State Region, U.S.

1995 - 2005



2005 annual data

Source: U.S. Department of Commerce - Bureau of Economic Analysis -

<http://www.bea.gov/region/data.htm>



Indicators of the Kansas Economy Personal Income/Per Capita Personal Income

Dec-06

Short-Term - 2005 to 2006, 2004 to 2005

- Kansas PI up \$3,748 million (4.1%)
- 6-State Region PI up \$27,964 million (4.0%)
- U.S. PI up \$452,429 million (4.4%)
- Kansas PCPI up \$1,636 (5.2%)
- 6-State Region PCPI up \$1,188 (3.9%)
- U.S. PCPI up \$1,405 (4.2%)

Long-Term - 1996 to 2006, 1995 to 2005

- Kansas PI up \$34,482 million (57.4%)
- 6-State Region PI up \$276,485 million (62.3%)
- U.S. PI up \$4,143,168 million (63.2%)
- Kansas PCPI up \$11,390 (52.8%)
- 6-State Region PCPI up \$10,785 (51.6%)
- U.S. PCPI up \$11,419 (49.5%)

About the data and graphs

Personal income is the income that is received by all persons from all sources and is reported quarterly and is seasonally adjusted at annual rates. Per capita personal income is the annual personal income divided by the population.

Personal income is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. The personal income of an area is the income that is received by, or on behalf of, all of the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients. All state estimates are in current dollars (not adjusted for inflation).

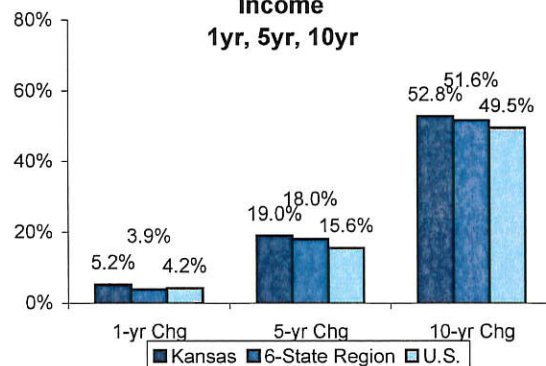
Personal Income Quarterly Estimates - (millions of dollars)

	2006-Q3	2005-Q3	2001-Q3	1996-Q3	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	94,578	90,830	77,678	60,096	4.1%	21.8%	57.4%
6-State Region	720,317	692,353	590,468	443,832	4.0%	22.0%	62.3%
U.S.	10,700,889	10,248,460	8,726,357	6,557,721	4.4%	22.6%	63.2%

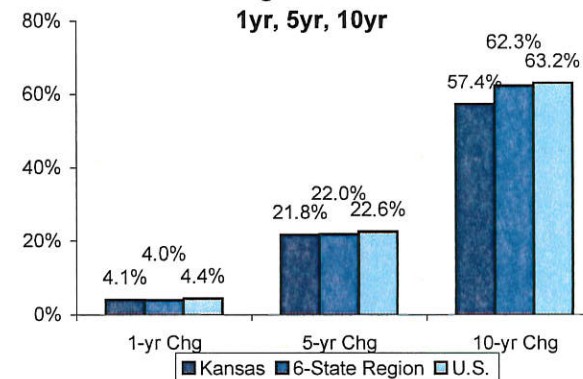
Per Capita Personal Income Annual Estimates - (\$)

	2005	2004	2000	1995	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	32,948	31,312	27,694	21,558	5.2%	19.0%	52.8%
6-State Region	31,682	30,494	26,854	20,897	3.9%	18.0%	51.6%
U.S.	34,495	33,090	29,845	23,076	4.2%	15.6%	49.5%

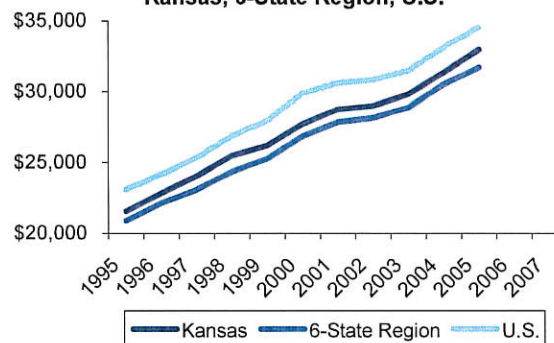
Percent Change in Per Capita Personal Income
1yr, 5yr, 10yr



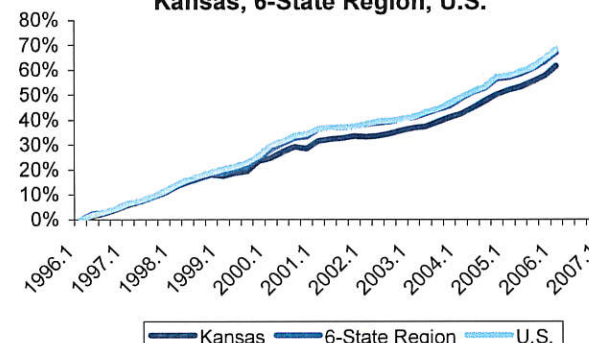
Percent Change in Personal Income
1yr, 5yr, 10yr



Growth in Per Capita Personal Income -
Kansas, 6-State Region, U.S.



Growth in Personal Income -
Kansas, 6-State Region, U.S.





Indicators of the Kansas Economy Chicago Fed National Activity Index (CFNAI)

Dec-06

Short-Term - 2006

During November 2006, the CFNAI was (-0.26), slightly up from the (-0.30) in October. All of the four broad categories of indicators made negative contributions. Production-related indicators made a negative contribution of (-0.04) in November after making a negative contribution of (-0.23) in October. Employment-related indicators made a negative contribution of (-0.15) after making a negative contribution of (-0.04) in October. Consumption and housing indicators made a negative contribution of (-0.05) in November after making a contribution of (-0.03) in October. The sales, orders, and inventories category made a small negative contribution of (-0.02) to the November CFNAI.

Long-Term - 1996 to 2006

Since January 1990, the CFNAI has demonstrated excellent predictive power as CFNAI values have fallen substantially prior to each of the two most recent recessions, from July 1990 to March 1991, and from March 2001 to November 2001.

About the data and graphs

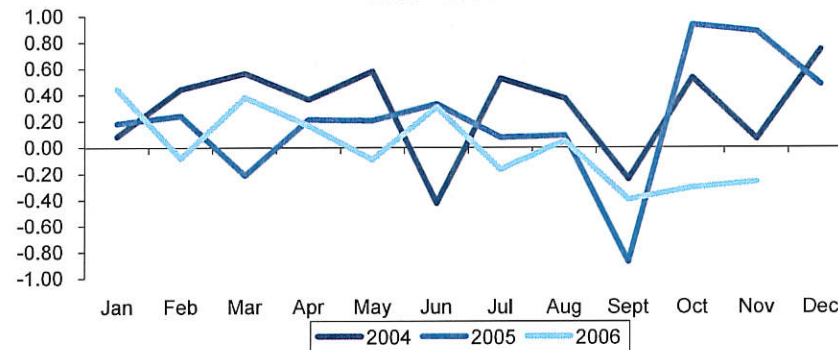
The performance of the U.S. economy has a major impact on the performance of the Kansas economy.

The Chicago Fed National Activity Index (CFNAI) is a monthly U.S. index designed to better gauge overall economic activity and inflationary pressure. The index uses 85 economic indicators from four broad categories of data: production and income; employment, unemployment and hours; personal consumption and housing; and sales, orders and inventories. **A positive number indicates above average growth while a negative number indicates below average growth. Sustained CFNAI readings above zero suggest increased inflationary pressures over the coming year.**

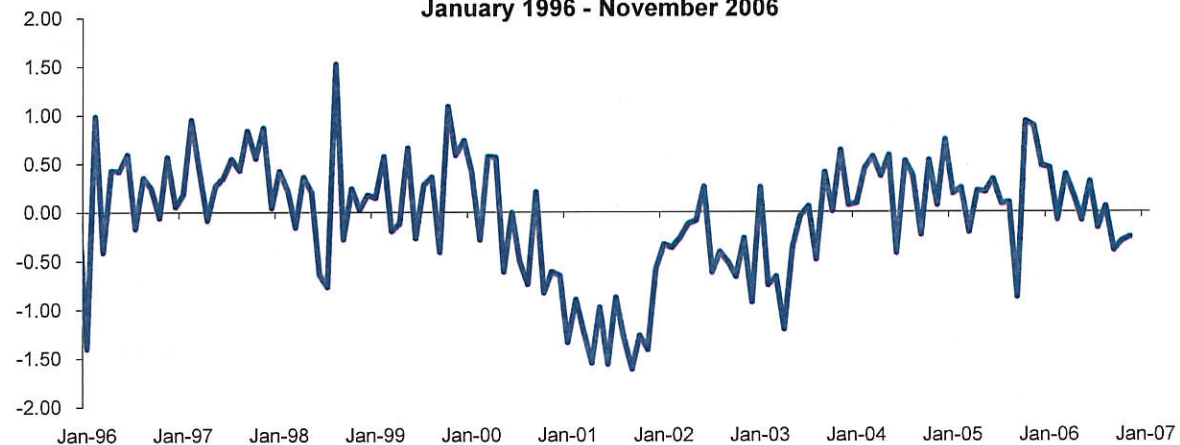
CFNAI

	Nov-06	Oct-06	Sep-06	Aug-06	Jul-06	Jun-06	Nov-05
CFNAI	(0.26)	(0.30)	(0.39)	0.05	(0.16)	0.31	0.88

Chicago Federal Reserve National Activity Index
2004 - 2006



Chicago Federal Reserve National Activity Index
January 1996 - November 2006



November 2006 monthly data

Source: Federal Reserve Bank of Chicago -

www.chicagofed.org/economic_research_and_data/cfnai.cfm



Indicators of the Kansas Economy Consumer Price Index

Dec-06

2-20

Short-Term - 2005 to 2006

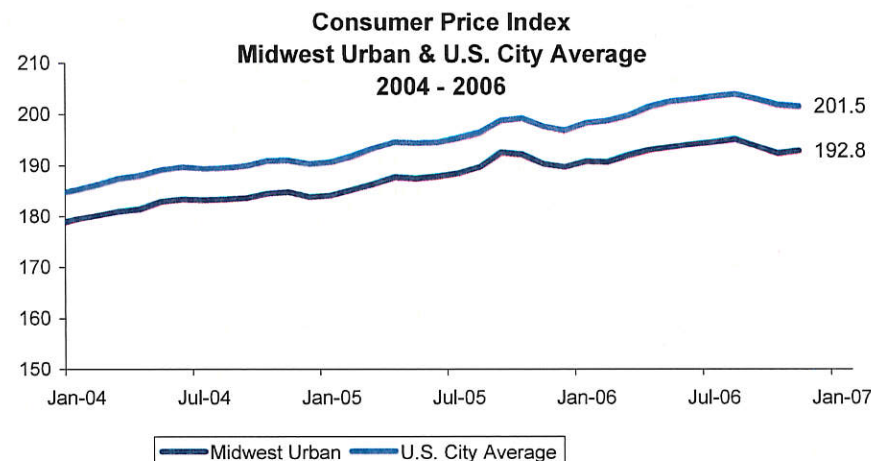
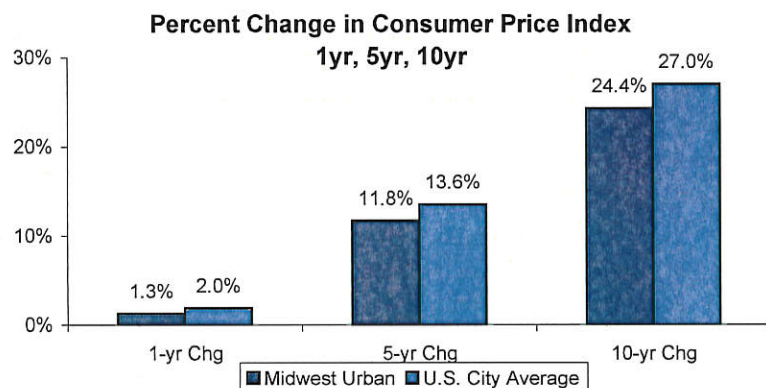
- Midwest Urban CPI up 2.5 (1.3%)
- U.S. City Average CPI up 3.9 (2.0%)

Long-Term - 1996 to 2006

- Midwest Urban CPI up 37.8 (24.4%)
- U.S. City Average CPI up 42.9 (27.0%)

Consumer Price Index

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Midwest Urban	192.8	190.3	172.5	155.0	1.3%	11.8%	24.4%
U.S. City Average	201.5	197.6	177.4	158.6	2.0%	13.6%	27.0%

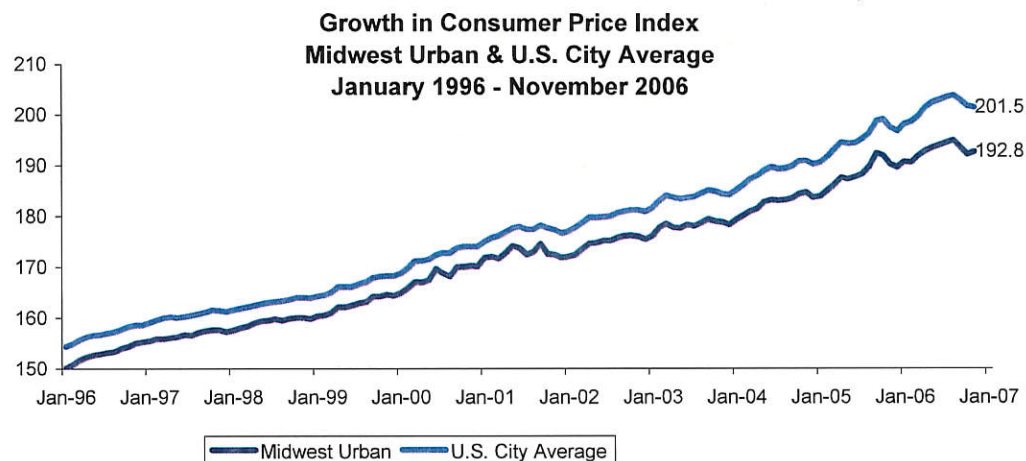


About the data and graphs

The CPI program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. It is the most widely used measure of inflation.

The U.S. City Average is a measure of the average change over time in the prices paid by urban consumers throughout the United States for a market basket of consumer goods and services. It is adjusted to equal 100 during the base period of 1982-1984. The U.S. City Average CPI reflects spending patterns for all urban consumers, who represent about 87 percent of the total U.S. population.

The Midwest Urban Consumer Price Index is calculated in the same way as the U.S. City Average CPI, however, the Midwest CPI is limited to urban consumers within the Midwest Census region.



November 2006 monthly data

Source: U.S. Department of Labor - Bureau of Labor Statistics -

<http://stats.bls.gov/cpi/home.htm>



Indicators of the Kansas Economy
Kansas Consumer Sentiment - 3rd Quarter 2006

Dec-06

Methods

- Random telephone survey of a representative sample of adult Kansans from July 6 to September 18, 2006.
- 2006 3rd quarter number of responses is 304.
- 2006 3rd quarter full sample margin of error is 5.6%.

$$\text{2006 3rd Quarter Kansas ICS} = (((Q1 + Q2 + Q3 + Q4 + Q5) / 6.7558) + 2.0)$$

Kansas Consumer Sentiment

$$\text{2006 3rd Quarter Kansas ICS} = (((113 + 137 + 80 + 78 + 125) / 6.7558) + 2.0) = 80.7$$

4th Quarter 2005	68.2
1st Quarter 2006	82.1
2nd Quarter 2006	75.4
3rd Quarter 2006	80.7

About the data

Kansas, Inc. has contracted with the Docking Institute of Public Affairs at Fort Hays State University to conduct a statewide telephone survey on a quarterly basis. The general objectives of the study were to: determine consumer sentiment in Kansas, analyze sentiment by a number of socio-demographic indicators, determine attitudes toward state levels of spending in particular economic development areas, analyze attitudes toward state spending by a number of socio-demographic indicators, examine the rating of the state government's performance at helping the state economy, and analyze the rating of state government performance by a number of socio-demographic indicators.

Table 1. Index of Consumer Sentiment (ICS) Item Response: 3rd Quarter 2006

Survey Item	Response Distribution Frequencies N (%)	Among Favorable and Unfavorable Replies: % Favorable	Among Favorable and Unfavorable Replies: % Unfavorable	Rounded Relative Score (Percent Favorable minus Percent Unfavorable) + 100
Q1. We are interested in how people are getting along financially these days. Would you say you and your family living there are better off or worse off financially than you were a year ago?	Better = 110 (36%) Same = 108 (36%) Worse = 86 (28%) DK = 1 (<1%)	56.41026	43.58974	113
Q2. Now looking ahead, do you think that a year from now you and your family living there will be better off financially, or worse off, or just about the same as now?	Will be better off = 86 (28%) Same = 184 (54%) Will be worse off = 40 (13%) DK = 14 (5%)	68.25397	31.74603	137
Q3. Now turning to business conditions in the country as a whole, do you think that during the next twelve months we'll have good times financially, or bad times, or what?	Good/mostly good times = 94 (31%) Pro-Con = 40 (13%) Bad/mostly bad times = 142 (47%) DK = 14 (9%)	39.83051	60.16949	80
Q4. Looking ahead, which would you say is more likely, that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?	Majority good comments = 94 (31%) Majority bad comments = 147 (49%) DK or refused = 63 (21%)	39.00415	60.99585	78
Q5. About the big things people buy for their homes, such as furniture, a refrigerator, a stove, a television, and things like that - generally speaking, do you think now is a good time or a bad time for people to buy major household items?	Good time = 120 (40%) Pro-Con = 31 (10%) Bad time = 72 (24%) Only buy when need = 28 (9%) DK = 53 (17%)	62.50000	37.50000	125

3rd Quarter 2006 data

Source: Docking Institute of Public Affairs at Fort Hays State University and Kansas, Inc. -

<http://www.kansasinc.org>



Indicators of the Kansas Economy Building Permits

Dec-06

Short-Term - 2005 to 2006

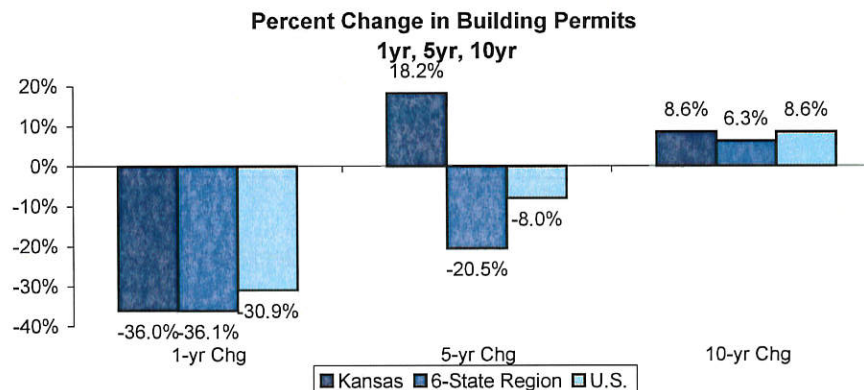
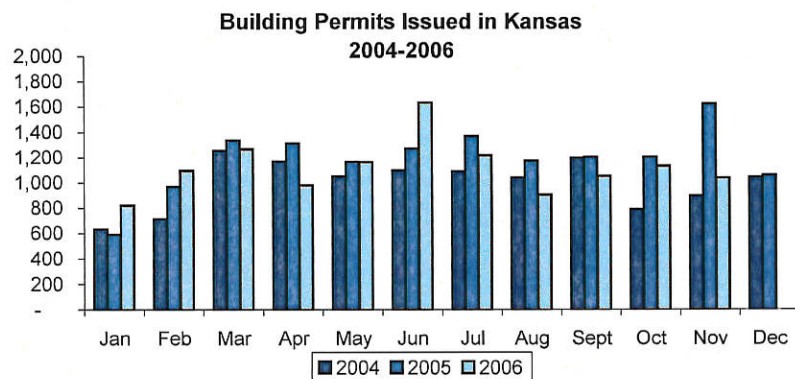
- Kansas building permits down 584 (-36.0%)
- 6-State Region building permits down 3,858 (-36.1%)
- U.S. building permits down 49,443 (-30.9%)

Long-Term - 1996 to 2006

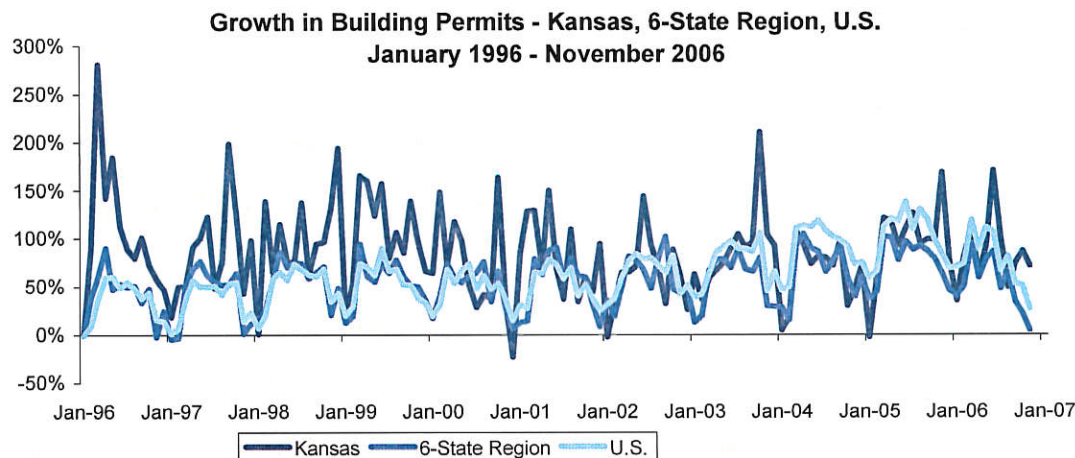
- Kansas building permits up 82 (8.6%)
- 6-State Region building permits up 407 (6.3%)
- U.S. building permits up 8,711 (8.6%)

Building Permits

	Nov-06	Nov-05	Nov-01	Nov-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	1,037	1,621	877	955	-36.0%	18.2%	8.6%
6-State Region	6,840	10,698	8,600	6,433	-36.1%	-20.5%	6.3%
U.S.	110,370	159,813	119,964	101,659	-30.9%	-8.0%	8.6%



A housing unit is a house, an apartment, a group of rooms or a single room intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building and which have a direct access from the outside of the building or through a common hall.



November 2006 monthly data

Source: U.S. Census Bureau - <http://www.census.gov/econ/www/index.html>



Indicators of the Kansas Economy Kansas Sales Tax Collections

Dec-06

Short-Term - 2005 to 2006

- Kansas sales tax collections up \$8,924,386 (6.1%)
- \$1,203,202,427 collected ytd during 2006
- \$1,740,749,106 collected total during 2005

Sales Tax Collections

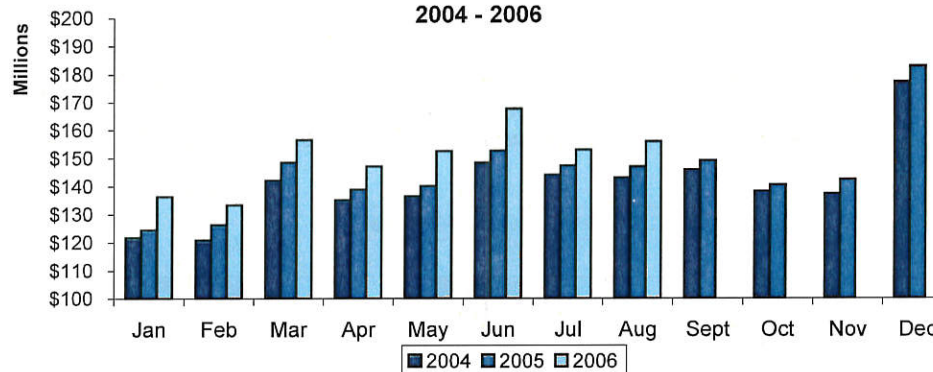
	Aug-06	Aug-05	Aug-01	Aug-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas \$	155,967,252	\$ 147,042,865	\$ 120,317,747	\$ 105,977,377	6.1%	29.6%	47.2%

Long-Term - 1996 to 2006

- Kansas sales tax collections up \$49,989,874 (47.2%)
- \$1,286,136,133 collected total during 1996

Monthly sales tax collections have trended higher as the economy has grown and two sales tax rate increases have been enacted. Annually, December typically collects the highest sales tax revenue, with January and February collecting the least. Consumers tend to delay purchases during a downturn in the economy, which can be reflected in lower sales tax collections in months proceeding and during a recession. Monthly sales tax collections tend to increase as the economy improves and consumer spending increases.

Monthly Kansas Sales Tax Collections
2004 - 2006

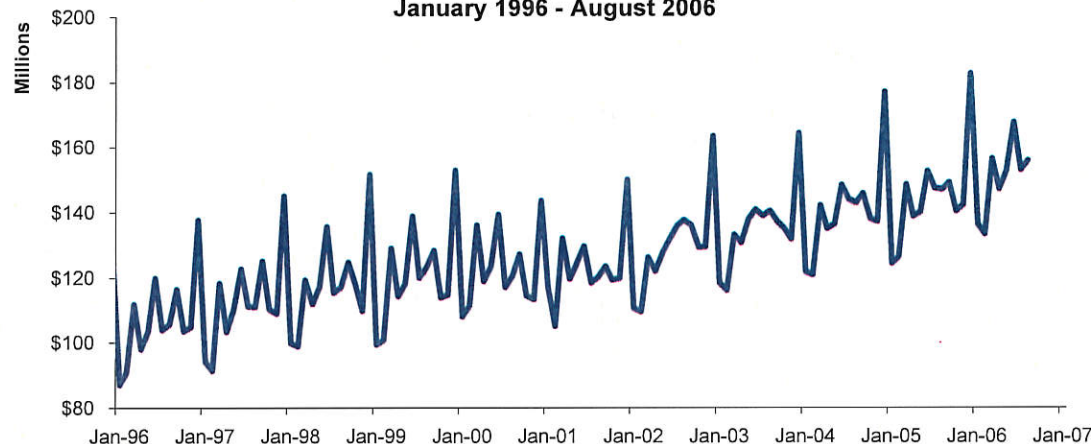


About the data and graphs

Tracking sales tax collections in Kansas gives insight into consumer behavior and demand. Sales tax collections can fluctuate widely from month to month. Since January 1990, state sales tax rates have increased on two occasions. In June 1992, the state sales tax rate increased from 4.25% to 4.90% and in July 2002 the state sales tax rate increased to 5.30%.

Various cities and counties in Kansas have an additional local sales tax. The entire listing of local sales tax rates is available at <http://www.ksrevenue.org/salesrates changes.htm>

Monthly Kansas Sales Tax Revenue
January 1996 - August 2006



August 2006 monthly data

Source: Kansas Department of Revenue - <http://www.ksrevenue.org/salesreports.htm>



Indicators of the Kansas Economy Population

Dec-06

2-24

Short-Term - 2005 to 2006

- Kansas population up 15,903 (0.6%)
- 6-State Region population up 232,755 (1.1%)
- U.S. population up 2,891,423 (1.0%)

Long-Term - 1996 to 2006

- Kansas population up 149,521 (5.7%)
- 6-State Region population up 1,919,087 (9.7%)
- U.S. Population up 30,004,200 (11.1%)

July 1, 2006 Population Estimates

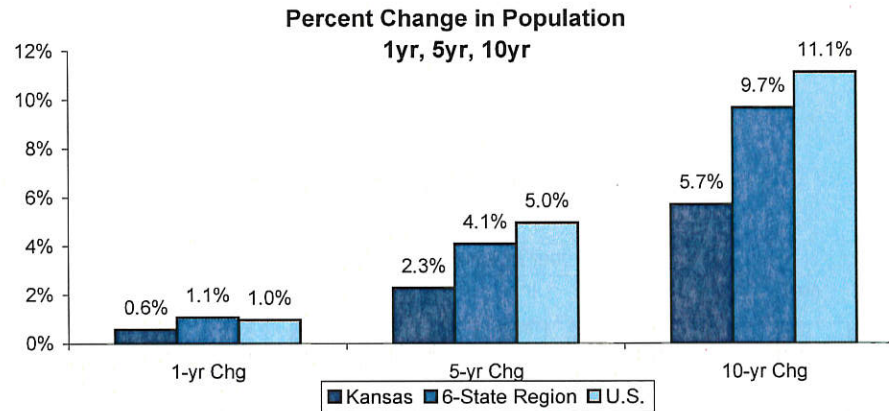
Region	Population
Kansas	2,764,075
Arkansas	2,810,872
Colorado	4,753,377
Iowa	2,982,085
Missouri	5,842,713
Nebraska	1,768,331
Oklahoma	3,579,212
6-St Region (w/o KS)	21,736,590
U.S.	299,398,484

About the data and graphs

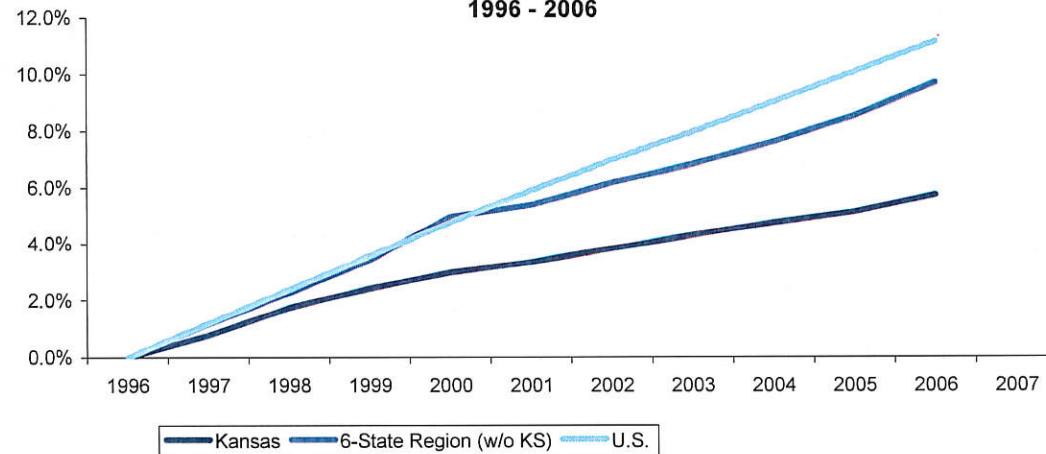
The U.S. Census Bureau publishes total resident population estimates and demographic components of change (births, deaths, and migration) each year. The reference date for estimates is July 1. Estimates usually are for the present and the past, while projections are estimates of the population for future dates. These estimates are developed with the assistance of the Federal State Cooperative Program for Population Estimates (FSCPE). These estimates are used in federal funding allocations, as denominators for vital rates and per capita time series, as survey controls, and in monitoring recent demographic changes. With each new issue of July 1 estimates, the estimates are revised for years back to the last census.

Population

	Jul-06	Jul-05	Jul-01	Jul-96	1-yr Chg	5-yr Chg	10-yr Chg
Kansas	2,764,075	2,748,172	2,702,446	2,614,554	0.6%	2.3%	5.7%
6-State Region	21,736,590	21,503,835	20,881,612	19,817,503	1.1%	4.1%	9.7%
U.S.	299,398,484	296,507,061	285,226,284	269,394,284	1.0%	5.0%	11.1%



Population Growth - Kansas, 6-State Region, U.S. 1996 - 2006



006 annual data

Source: U.S. Census Bureau - <http://www.census.gov/popest/estimates.php>

52.8

KANSAS, INC.

Created by the Legislature in 1986, Kansas, Inc. is an independent, objective, and non-partisan organization designed to conduct economic development research and analysis with the goal of crafting policies and recommendations to insure the state's ongoing competitiveness for economic growth. To attain our mission, Kansas, Inc. undertakes these primary activities: 1) Identifying, building, and promoting a Strategic Plan for economic development efforts in the State of Kansas; 2) To complement the Strategic Plan, Kansas, Inc. develops and implements a proactive and aggressive research agenda, which is used to identify and promote sound economic development strategies and policies; 3) Through collaboration and outreach with economic development entities and other potential partners, Kansas, Inc. conducts evaluation reviews and provides oversight of economic development programs to benchmark development efforts in the State of Kansas.

Co-Chaired by the Governor, Kansas, Inc. is governed by a 17-member Board of Directors. Board members, as mandated by legislation, include four members of Legislative leadership, a representative from the Board of Regents, the Secretary of Commerce, the Commanding General of the Kansas Cavalry, a representative from labor, and eight other members from the private sector representing key Kansas industrial sectors. Private sector members are appointed by the Governor and confirmed by the Kansas Senate.

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State Representative, Topeka

Donna Johnson

Pinnacle Technology, Lawrence

Sen. Laura Kelly

State Senator, Topeka

Wil Leiker

AFL-CIO, Topeka

Lawrence L. McCants

First National Bank, Goodland

Sen. Stephen Morris

Senate President, Hugoton

John Pilla

Spirit AeroSystems, Wichita

Reginald Robinson

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Economic Development Legislation in Kansas: A Chronological History

FY 2005 Report Update

Prepared by



January 2006

Economic Development & Tourism

Date: 1-16-07

Attachment # 3-1



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Stan Ahlerich, *President*

This attachment to the *Economic Development Legislation in Kansas: A Chronological History from Fiscal Year 1986-2004* contains the FY 2005 update. This publication provides a history of legislation impacting economic development in Kansas since the *Redwood-Krider Report* was produced in 1986.

This publication seeks to provide a historical perspective of the laws and changes that have directly or indirectly influenced economic development in Kansas. In an effort to be efficient with state resources, we are providing the FY 2005 update as an addendum to last year's report. Next year, we hope have the funding to integrate this attachment into the current chronological history publication accordingly.

The information presented in this report relies on both the *2005 Summary of Legislation*, published annually by the Legislative Research Department and the *2005 Session of Laws of Kansas, Volumes 1 & 2*.

We hope you will find this publication to be of value to you in the course of your work.

Sincerely,

Stan R. Ahlerich
President

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INTRODUCTION

The following is a brief overview of economic development legislation during the 2005 session of the Kansas Legislature. This report includes legislation that directly and indirectly impacts economic development efforts in Kansas. This publication will be incorporated into the full Chronological History publication at a later date.

AGRICULTURAL DEVELOPMENT

2005 – Ethyl Alcohol – Labeling Requirement

This bill deletes a provision in prior law requiring that every retail pump for motor vehicle fuels be labeled conspicuously to show the content and percent of any ethyl alcohol or other alcohol combined or alone in excess of one percent by volume. **[Amending KSA 2004 Supp. 79-3408] SB 56**

2005 – Alcoholic Liquor and Sunday Sale

This bill amends the Kansas Liquor Control Act to make it uniformly applicable to all cities and counties after November 15, 2005. This bill also allows retail liquor stores in all cities unless an ordinance is adopted to prohibit such stores. The bill also prohibits sales of alcoholic liquor and cereal malt beverage (CMB) on Sundays unless a city ordinance or a resolution is adopted to allow such sales. A protest petition followed by an election could be held to reverse the city or county ordinance or resolution. Included within this bill, farm wineries are allowed to increase ownership of winery outlets from two to three per person, production is increase to 100,000 gallons, and free sampling is permitted at special events. **[Amending KSA 41-208, 41-301, 41-302, 41-308a, 41-710, 41-712, 41-714, and 41-2704 and KSA 2004 Supp. 41-303, 41-347, 41,719 and KSA 2004 Supp. 19-101a as amended by section 8 of 2005 House Bill No. 2537] SB 298**

BUSINESS FINANCE

2005 – Tax Increment Financing

This bill amends the definition of “blighted area” within the Tax Increment Financing statutes to include property that has “a majority of the property” in a 100-year flood-plain area. In addition, both a Kansas certified engineer and the United States Federal Emergency Management Agency are required to identify the majority of the property as existing in the 100-year flood plain. **[KSA 2004 Supp. 12-1770a and 12-1771e] HB 2140**

2005 – STAR Bonds

This bill amends Sales Tax and Revenue (STAR) bonds and Tax Increment Financing bond law.

STAR Bonds - The bill amends the Tax Increment Financing (TIF) statutes to add “major motor sports complex” to the list of projects eligible for STAR bonds. The definition of “major motor sports complex” specifies that it is a project located in Shawnee County. In addition, STAR bonds for the major motor sports complex could be used to finance a maximum of 50 percent of the redevelopment projects costs. This bill includes several requirements regarding the feasibility study for STAR bonds. The bill will prohibit the use of STAR bond proceeds from being spent on the construction of buildings or other structures to be owned by or leased to a developer; however, the “redevelopment project costs” could include costs incurred in connection with the construction of buildings or other structures to be owned or leased to a developer which includes an auto racetrack facility. The auto racetrack facility and the 400-acre area will be limited to no more than \$308,000,000 of STAR bonds. However, bonds issued solely for the purpose of refunding STAR bonds will require approval of both the Secretary of the Department of Commerce and the Secretary of the Department of Revenue prior to issuance. If the project requires additional STAR bond funding, the Unified Government of Wyandotte County is required to reapply to the Secretary of Commerce. Under prior law, the auto racetrack facility has no limit on issuing STAR bonds. Relocation payments made to persons, families, and businesses who move from real property located in the redevelopment district or who move personal property from real property located in the redevelopment district due to the acquisition of the real property by the city is considered relocation assistance. The Secretary of Commerce is required to set a limit on the total amount of STAR bonds that may be issued for any redevelopment project. The bill also requires an independent certified public accountant annually audit each project at the

expense of the city. Any unauthorized payments will be repaid to the bond fund through an agreement with the Department of Revenue.

Tax Increment Financing Act - This bill clarifies the Tax Increment Financing statutes and amends the law so that a city may pledge all or a portion of the revenue received from local sales taxes for a Local Tax Increment Financing project. This bill also makes several technical corrections to the statutes.

Other - The bill allows the Secretary of Commerce, with the approval of the Governor, to contract with Federal government agencies, governmental entities of any state, and private not-for-profit corporations for the performance of data processing services and training. [Amending KSA 12-1774a and 12-1777 and KSA 2004 Supp. 12-1770a, 12-1771, 12-1771b, 12-1772, 12-1773, 12-1774, 12-1780b and 12-1780c, also repealing KSA 2004 Supp. 75-5735] Sub. for HB 2144

2005 – Kansas Development Finance Authority

This bill adds a hall of fame, museum, or tourist destination, as determined by the Secretary of Commerce, to the list of items that the Kansas Development Finance Authority is authorized to issue bonds. The authorization to issue hall of fame, museum, or tourist destination bonds expires on December 31, 2007. [Amending KSA 74-8905] SB 304

2005 – Angel Investor Tax Credit Act

This bill amends the Angel Investor Tax Credit Act to clarify that persons serving as executives, officers, employees, vendors, or independent contractors of the business in which an otherwise qualified cash investment is made could not be deemed to be an “angel investor” under the provisions of the Act and could not, therefore, as individuals, qualify for the issuance of tax credits associated with the investment. Additional language which limits the cumulative amount of tax credits issued to \$20 million and the amount authorized for any given tax year to \$2 million is amended to provide that the balance of unissued credits could be carried forward for issuance in future years until tax year 2016. The bill also prohibits businesses from being designated as “qualified” for purposes of the Act when they have ownership interests (such as stock) that can be traded by the public on or before the date when otherwise qualifying investments are made.

The Kansas Technology Enterprise Corporation (KTEC) is required to renew a business's designation as being “qualified” for purposes of the Act annually. Additional language provides that the tax credits are a limited resource of the state, and KTEC is designated as the administrator of the credits and directed to award the credits based on achieving the greatest economic benefit for the state.

Impact Program

The bill makes several changes to the Department of Commerce Impact Program, including:

- Expanding the qualifying business factors to include job retention; allowing for 95 percent of the withholding taxes generated by a retention or expansion project to be reinvested into the company over a 10-year period. Under prior law, a maximum of 90 percent was allowed.
- Expanding the eligibility requirement to allow for projects located outside metro areas and must retain 100 jobs, and remove the requirement that projects must spend \$50.0 million in capital investments. Under prior law, all projects within a metro area were required to retain 250 jobs.
- Eliminating the approval of the Governor's Council on Work Force Training and Investment for a project to obtain financing by the Kansas Development Finance Authority.
- Removing until July 1, 2006, the restriction on the Secretary of Commerce to offer incentives for major project investments, which are defined as business costs, including, but not limited to, relocation expenses, building and equipment purchases, labor recruitment, and job retention. Under prior law, 20 percent of the total program revenue was available for such investments.

[Amending KSA 2004 Supp. 74-8131, 74-8132, 74-8133, 74-8134, 74-8135, 74-8136, 74-50, 104, 74-50, 105, 74-50, 106 and 75-50, 107] HB 2448

2005 – Emerging Industry Investment Act

This bill amends the Emerging Industry Investment Act to change the definition of “base year taxation.” Prior law defined “base year taxation” as 2003 state taxes payable by biosciences companies and state universities and

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withholding taxes paid by their employees. Under the provisions of the bill, the definition is amended to comprise 95 percent of the 2003 state withholding taxes paid by the entities' employees. Additional language allows for base year taxation to be adjusted in future years, accounting for the addition of new companies and those that may have been inadvertently omitted from the original determination. The definition of "Bioscience Company" is expanded to include those with sales, services, or distribution directed towards developing bioscience products or processes, but specifically would not include entities engaged in distributing or selling pharmaceuticals or other bioscience products. New language requires the Secretary of Revenue and the Bioscience Authority to jointly determine eligibility based on verifiable evidence, including whether the company falls under certain specific bioscience industry codes. All companies designated under the specific codes will be presumed to qualify unless a joint determination finds otherwise. The maximum amount of funds that could be diverted from the State General Fund to the Biosciences Development and Investment Fund over the next 15 years is limited to \$581.8 million. The bill allows the State Treasurer to make estimated payments to the Authority more frequently based on information provided by the Secretary of Revenue with an annual reconciliation. Under current law, the State Treasurer makes an annual payment to the Authority. **[Amending KSA 2004 Supp. 74-99b34 and 74-99b68] Sub. for HB 2003**

COMMUNITY DEVELOPMENT

2005 – Kansas Manufactured Housing Act

This bill makes changes to the Kansas Manufactured Housing Act as a result of the 2000 Federal Manufactured Housing Act, which required states to have provisions in place regarding the administration of the Act. Provisions include: prescribing installation standards, providing for manufactured home installers' licenses, providing for apprentice installers' licenses, and authorizing certain fees and civil penalties. **[Amending KSA 58-4205 and KSA 2004 Supp. 58-4202, 74-8904 and 74-8959] SB 4**

2005 – Kansas Fairness in Private Construction Contract Act

This bill creates the Kansas Fairness in Private Construction Contract Act. The Act requires that all persons who enter into a contract for private construction after the Act is published will be required to make all payments pursuant to the terms of the contract, excluding certain provisions that are void and unenforceable in a contract. The provisions of the Act will not apply to single-family residential housing, multi-family residential housing of four units or less, or public works projects. Furthermore, the provisions of the Act will not apply to contracts entered into prior to the effective date of the Act. **Sub. For SB 33**

2005 – Self-Service Storage Act

This bill amends the Self-Service Storage Act by allowing an operator to charge a late fee for an occupant's failure to pay rent when due. The late fee will not be considered interest, nor is it a reasonable expense that the operator may incur in the course of collecting unpaid rent. The late fee charge must be stated in the rental agreement in order for the operator to collect the fee. In addition, the operator will be allowed to recover all reasonable rent collection and lien enforcement expenses in addition to any late fees imposed. **[Amending KSA 58-814] SB 69**

ECONOMIC DEVELOPMENT FUNDING

2005 – Tribal Gaming Compacts

This bill amends existing law dealing with the legislative authority of Tribal Gaming Compacts. This bill requires the Joint Committee on State-Tribal Relations to introduce in each house of the Legislature, a resolution on the proposed Tribal Gaming Compact within five days after the beginning of the next regular or special legislative session following the Committee's vote to recommend approval, rejection, or no recommendation on the compact. This applies only if the Legislature is not in session when the Committee votes. The bill repeals existing law that authorizes the Legislative Coordinating Council to act on behalf of the Legislature when the Legislature is not in session. **[Amending KSA 46-2302] House Sub. For SB 153**

EDUCATION

2005 – BSAAP

Base State Aid Per Pupil (BSAPP) - Increases by \$150 from \$3,890 to \$4,257 - \$82.5 million.

2005 – Appropriations for Elementary and Secondary Education

These bills appropriate an additional \$289.5 million in state funds for school year 2005-06, consisting of \$261.8 million in increased state aid and \$27.7 million in potential local option budget property tax relief. The legislation is in response to orders of the Kansas Supreme Court. Major features of the legislation are listed below.

Changes in the Formula

- Base State Aid Per Pupil (BSAPP) - Increases by \$150 from \$3,890 to \$4,257 - \$82.5 million.
 - Correlation Weighting - SB 3 restores Correlation Weighting that had been eliminated in HB 2247. The threshold at which school districts qualify for Correlation Weighting is reduced from 1,725 to 1,622 - \$28.7 million.
 - Low Enrollment Weighting - HB 2247 changes the computation formula for Low Enrollment Weighting in order to offset the increase in BSAPP as the result of Correlation Weighting being eliminated and BSAPP being increased by an equivalent amount of funding. (This change in the computation of Low Enrollment Weighting was unaffected by the restoration of Correlation Weighting in SB 3.)
- At-Risk Weighting - Increases the At-Risk Weighting from 0.145 to 0.193 - \$53.7 million.
- Bilingual Education Weighting - Increases the Bilingual Weighting from 0.2 to 0.395 for school year 2005-06 and thereafter - \$11.0 million.
- Special Education - Increases Special Education excess costs funding from 81.7 percent to 89.3 percent for school year 2005-06 and to 92 percent for school year 2006-07 and thereafter - \$31.2 million (school year 2005-06).
- Capital Outlay - Limits the Capital Outlay mill levy to 8 mills and equalizes to the 8 mill levy limit - \$18.0 million.
- Local Option Budget (LOB) Maximum Authorization - Increases the LOB Maximum Authorization from 25 percent to 27 percent in school year 2005-06, 29 percent in school year 2006-07, and 30 percent in school year 2007-08 - \$6.0 million (school year 2005-2006).
- Declining Enrollment Provision - Any USD that is at its maximum LOB and has declined from the prior year may seek approval from the State Board of Tax Appeals to make a levy for up to two years, capped at 5 percent of the district's general fund budget. The levy is equalized up to the 75th percentile. For school year 2005-06, the maximum LOB is considered to be 25 percent - (No estimate of cost made).
- Increase State Aid Percentile for LOB - Equalizes to the 81.2 percentile (prior law was 75th percentile) - \$27.7 million.
- Federal Impact Aid - Decreases the Federal Impact Aid deduction from 75 percent to 70 percent - \$800,000.
- Four-year-old At-Risk Program - Eliminates the cap on the number of children who can be served and increases funding - \$0.8 million.

HB 2247, HB 2059, SB 43, and House Sub. for SB 3 (2005 Special Session)

2005 – KAN-ED Financing

This bill phases out financing of KAN-ED from the Kansas Universal Service Fund (KUSF) over the next four fiscal years. The bill requires exploration of possible consolidation of KAN-ED with two other statewide networks. The bill also requires providers of Voice over Internet Protocol (VoIP) to direct 911 calls to the appropriate public safety answering point (PSAP). Finally, the bill makes PSAP's that are not political subdivisions of the state ineligible to receive funds distributed under the Wireless Enhanced 911 Act.

The maximum amounts of KUSF funding available for KAN-ED will be:

- FY 2006, \$10 million;
- FY 2007, \$8 million;
- FY 2008, \$6 million; and
- FY 2009, \$5.5 million.

Authorization for use of KUSF moneys for KAN-ED expires at the end of FY 2009. When

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KAN-ED financing is shifted to the State General Fund, the bill requires funding of the program to be the highest priority along with education. **[Amending KSA 66-2010 and KSA 2004 Supp. 75-7226] HB 2026**

INFRASTRUCTURE

2005 – City Annexation Law Changes

This bill amends the city annexation law dealing with unilateral annexation to expand the scope of review that a court may make of these decisions and to require cities to consider 16 different factors when annexing land unilaterally. The bill gives any city whose boundary line is located within one-half mile of the land being annexed and any owner of land annexed to the city (the latter provision is law) the ability to challenge the annexation in district court. The bill requires the court, when a unilateral annexation is challenged, to determine whether the annexation is reasonable and the service plan adequate, and the effect the annexation will have on future growth of any city challenging the annexation. **[Amending KSA 12-520 and 122-520a] Sub. for SB 24**

2005 – Consolidation Commission for Topeka

This bill addresses the issue of consolidation of cities and counties. Within this bill, a five-member Consolidation Commission for Topeka and Shawnee County is established and required to prepare a plan for consolidation. This bill requires approval by a dual majority of those voting within the City of Topeka and those living outside the city before any consolidation plan may be implemented and provides for a moratorium on the unilateral annexation powers of the City of Topeka pending the outcome of the consolidation election. This Act also amends the city unilateral annexation law dealing with the annexation of rights-of-way of any highways or land abutting these rights-of-way. **[Amending KSA 12-520]**

2005 – Transportation Development District Act

This bill makes a number of changes in the Transportation Development District Act. The bill eliminates protest petition provisions that currently authorize property owners to force an election on the proposed imposition of a transportation development district sales tax; and clarifies that the public hearing on the advisability of creating the district also is expanded to include the intention of the district to levy the tax. Additional amendments to the Act accomplish the following:

- Clarify that petitions signed by property owners seeking to have municipalities form development districts are required to include the maximum, as opposed to estimated, cost of the projects; and that notices related to the public hearings similarly will be required to include the maximum, as opposed to estimated, cost of the projects; and
- Expand the definition of a transportation development district project by specifying a number of items to which the phrase "any other transportation related project or infrastructure" could refer. These include utility relocation, sanitary and storm sewers and lift stations, and several others.

[Amending KSA 2004 Supp. 12-17, 141, 12-17,142, 12-17,144 and 12-17,145] SB 209

2005 – Rural Water District Consolidation Alternative; Multi-Year Water Flex Accounts; Reallocation of Clean Drinking Water Fee

This bill makes several changes to water-related statutes, including:

- Establishing an alternative procedure for the consolidation of rural water districts;
- Revising rules regarding Multi-Year Water Flex Accounts; and
- Effective July 1, 2007, reallocating the Clean Drinking Water Fee imposed by KSA 2004 Supp 82a-2101.

[Amending KSA 2004 Supp. 82a-647, 82a-736, and 82a-2101] HB 2018

2005 – Water Plan Storage Act

This bill amends the Water Plan Storage Act to adjust the rates for the withdrawal and use of water by Water Marketing Program participants. The bill bases the operation, maintenance, and repair costs portion on estimated costs for the upcoming year rather than costs from the preceding year. The bill also changes the depreciation reserve cost portion of the Act, so that it is annually determined by the Kansas Water Authority as an amount necessary to meet the capital development and maintenance plan. Further, the bill allows for direct payment of administration and enforcement costs from the Water Marketing Fund. **[Amending KSA 2004 Supp. 82a-1308a, 82a-1315b, and 82a-1315c] HB 2108**

2005 – Public Improvement Districts – Sales and Property Tax Authority

This bill authorizes the creation of Public Improvement Districts by the governing bodies of any three or more contiguous counties not located in Metropolitan Statistical Areas as defined by the U.S. Department of Commerce. The districts, which will be formed pursuant to inter-local agreements, will have authority to impose sales and property taxes to finance the costs of public infrastructure improvements. An election is required prior to the imposition of any such tax by a district, and the approval of the electors of each county in the district will be required before the tax could take effect in any county. The maximum sales tax that can be imposed is 0.5 percent. The districts are granted specific authority to acquire, own, lease, use, and operate real and personal property necessary or desirable for lawful purposes. Leases and lease-purchase agreements entered into for these purposes are subject to change or termination by the Legislature. Leases also could not exceed 10 years. The districts also are granted authority to enter into lease agreements as lessors of property, with such agreements similarly subject to change or termination by the Legislature. Additional authority is provided for the districts to issue general obligation bonds for the acquisition of land and improvements and the construction, repair, or remodeling of improvements. Issuance of the bonds requires approval by a majority vote of all electors in the district. **HB 2406**

2005 – Municipal Energy Agencies

This bill amends three statutes that govern municipal energy agencies. Under Kansas law, municipal energy agencies may be formed by two or more cities to secure electricity for the participating cities. The bill repeals the:

- Minimum size requirement for energy agencies' boards of directors and the requirement that board members reside within one of the participating cities;
- Requirement that energy agencies abide by state budget and cash-basis laws; and
- Requirement that municipal energy agencies make filings with the Secretary of State pursuant to the Uniform Commercial Code to perfect a security interest against personal property or fixtures of the agency.

[Amending KSA 12-891, 12-896, and 12-8,104] HB 2045

2005 – Kansas Electric Transmission Authority

This bill enacts the Kansas Electric Transmission Authority Act creating the Kansas Electric Transmission Authority. The purpose of the Authority is to further ensure the reliable operation of the integrated electrical transmission system, diversify and expand the state's economy, and facilitate the consumption of Kansas energy through improvements in the state's electric transmission infrastructure. This bill also provides for the recovery of certain costs of construction and upgrading of electric transmission facilities and prescribes procedures for the curtailment of natural gas service to certain premises. **[Amending KSA 66-105a] HB 2263**

TAXATION

2005 – Franchise Tax and Fee – Various Amendments

This bill makes several changes to provisions relating to the franchise fee collected by the Kansas Secretary of State, effective January 1, 2006. The bill renames the annual \$40 fee from "franchise fee" to "report fee", eliminates extensions of time for entities subject to the fee to file their annual reports with the Secretary of State, and repeals a requirement that annual reports need to reflect the financial condition of the entities. Additional provisions eliminate the reporting of residential addresses for officers and directors of corporations; eliminate reporting of par value of stock and number of shares of stock; and reconcile various provisions relative to different franchise tax and fee bills enacted in 2004. Additional language makes a number of technical and clarifying amendments to statutes relating to the franchise tax collected by the Department of Revenue. **SB 37**

2005 – Property Tax – Various Provisions

This bill expands the Homestead Property Tax Refund Program and enacts several other property tax related provisions. The Homestead program is expanded, effective for tax year 2005, by allowing taxpayers to exclude from the definition of income various veterans' disability and railroad disability benefits.

The bill also:

- Provides that county clerks, when certifying the property tax rolls, exclude the amount of assessed valuation attributable to property owned by public utilities that have filed property tax exemption

applications until such time as the applications have been denied by the State Board of Tax Appeals or until subsequent judicial review has been finalized.

- Authorizes taxpayers to petition boards of county commissioners to order a refund of excess property taxes paid attributable to personal property valuation that had been erroneously reported for tax year 1999. A county opting to grant such a property tax refund is required to notify the Department of Revenue. Any taxpayer receiving such a refund is required to file amended income tax returns for any tax years in which business expense deductions or income tax credits were claimed relative to the excess property taxes and are liable for any additional income tax owed relative to the amended returns.
- Repeals a provision of 2005 HB 2247 that would have prohibited cities and counties from granting prospective property tax exemptions via the issuance of industrial revenue bonds relative to that portion of the property tax attributable to the mandatory school district general fund levy.

[Amending KSA 79-5a27 and KSA 2004 Supp. 79-201a, as amended by section 42 of 2005 House Bill No. 2247, and 79-4502] HB 2308

2005 – Property Tax – Calendar Issues and Exemption for Certain Buildings

This bill authorizes county appraisers to amend the current year's property tax appraisal rolls up to October 31st when a final determination on property valuation appeals has been made for the prior tax year. The bill also authorizes a property owner whose tax escrow agent pays the first half taxes on or before December 20 to file a protest on or prior to January 31st of the next year. The bill further provides a property tax exemption beginning in tax year 2005 for building constructed at state educational institutions under the supervision of the Board of Regents when such buildings are owned by municipalities and operated by a not-for-profit entity for the purpose of strategic technology acquisition and commercialization. The exemption also applies to personal property located in any such buildings. **[Amending KSA 2004 Supp 79-1460 and 79-2005] SB 126**

2005 – Homestead Property Tax Refund Program

This bill changes the procedures for using a person's homestead property tax refund for the prior year to pay or offset a portion of the first half of the claimant's homestead property taxes currently due by:

- Clarifying claimants are to be given an election to receive the refund directly from the Kansas Department of Revenue (KDOR) or have the refund applied to the claimant's county tax bill;
- Providing for electronic record transfer and record keeping; and
- Eliminating the requirement that the claimant appear physically in the county treasurer's office.

The bill also indexes annually the upper income threshold (currently \$26,300) based on the inflation rate, beginning with tax year 2005. **[Amending KSA 2004 Supp. 79-4508 and 79-4521] SB 133**

2005 – Employment Security Law – Amendments

This bill makes several amendments to the Employment Security Law, including amendments related to conforming to the Federal Unemployment Tax Act and Breath Alcohol Testing.

[Amending KSA 44-719 and KSA 2004 Supp. 44-703, 44-706, 44-710a and 44-716a] SB 108

2005 – Sales Tax Enterprise Zone Exemption

This bill extends the sales tax exemption for the Kansas Enterprise Zone Act from July 1, 2004 to July 1, 2010.

[KSA 2004 Supp. 74-50, 115] HB 2164

2005 – Motor Vehicle Sales Tax – Repeal of 2004 Law and Payment of Refunds

This bill repeals a sales tax provision enacted in 2004 that had required that in the case of the isolated or occasional (private) sale of certain vehicles, tax was to be computed based on the greater of the stated selling price or their valuation under the motor vehicle (property) tax law. A refund procedure is established for certain excess state and local sales tax amounts collected since July 1, 2004, the effective date of the 2004 law. Subject to verification by the Director of Taxation, certain taxpayers are entitled to receive refunds of the amount of additional state and local sales taxes collected under the 2004 law relative to the amount that would have been collected under the law in effect prior to July 1, 2004. Refund claims must be submitted within six months of the effective date of the bill (publication in the *Kansas Register*), and no refunds will be paid for amounts of less than \$10. Additional language in the bill requires buyers of private vehicles to sign statements verifying the true and correct selling prices; and requires that such statements advise the buyers of the consequences of making false

writings. Another provision requires sellers of such vehicles to certify the true and correct selling prices when signing the titles **[Amending KSA 79-3604 and KSA Supp. 8-135 and 79-3603] SB 23**

2005 – Tax Confidentiality

This bill modifies certain tax confidentiality provisions and allows the Department of Revenue to share additional taxpayer information with other state agencies and various local officials, and, under certain limited circumstances, with retailers. One exception to the relaxation provisions is language that limits the potential release of private financial information of liquor licensees, suppliers, distributors, farm wineries, and microbreweries. Included among the major provisions of the bill is language authorizing the Department to:

- Provide city and county clerks, treasurers, and finance officers with distribution reports of all taxes, rather than sales and transient guest taxes as provided under prior law;
- Disclose tobacco information to criminal justice agencies or law enforcement officers in conjunction with pending investigations;
- Share information with certain state agencies relating to the administration of specific taxes and fees, including environmental surcharge and solvent fees, water protection fees, and enterprise zone sales tax exemption and project exemption certificates;
- Release to retailers, tax exemption information for the purpose of verifying the authenticity of tax exemption numbers issued by the state;
- Disclose to the Secretary of Commerce certain taxpayer information relating to information previously submitted by taxpayers relative to certain tax credits for the purpose of verifying and evaluating the effectiveness of tax credit programs; and
- Provide certain information to the Executive Director of the Kansas Public Employees Retirement System (KPERs) regarding W-2 payroll information filed by KPERs employees.

The Attorney General is required to investigate reported violations of confidentiality by local officials who receive tax distribution reports and is required to investigate reported confidentiality violations by state officials who receive certain taxpayer-specific information. Additional language clarifies that district attorneys, county attorneys, and the Attorney General will have authority to prosecute confidentiality violations. The penalty for violating various confidentiality provisions is increased from a Class B to a Class A misdemeanor. Finally, the bill repeals a requirement that Kansas, Inc. prepare an annual report on the cost effectiveness of various economic development tax incentives. **[Amending KSA 75-702, 79-1119, 79-3392, 79-3614 and 79-4105 and KSA 2004 Supp. 12-189, 75-5133, 79-3234 and 79-3657 and repealing KSA 2004 Supp. 74-8017] SB 13**

2005 – Local Sales Tax – Sedgwick County Arena

This Act ratifies the results of a November 2004 election in Sedgwick County relative to the imposition of a 1 percent sales tax earmarked for constructing and equipping a new regional events center; design of and improvements to the Kansas Coliseum Complex; and various operation, maintenance, site acquisition, and infrastructure costs associated with such facilities. The tax will be imposed on July 1, 2005 and will sunset on or before December 31, 2007. **[Amending KSA 2004 Supp. 12-187, 12-189 and 12-192 and repealing the existing sections] SB 58**

2005 – Local Sales Tax – Miami County

This Act ratifies the results of a November 2004 election in Miami County relative to extending an existing 0.25 percent sales tax earmarked for road construction and improvement for an additional five-year period. The local sales tax authorization law also is amended to clarify that the county has authority to seek voter approval of additional five-year extensions. **[Amending KSA 2004 Supp. 12-187 and repealing the existing section] SB 105**

2005 – Local Sales Tax – Neosho County

This Act authorizes Neosho County to seek voter approval of a 0.5 percent sales tax earmarked for roadway construction and improvement. An exception is provided from the normal countywide sales tax distribution formula to authorize the county to retain all the revenues from such a tax (and not share them with cities). If imposed, the tax is required to expire once all such costs have been paid. **[Amending KSA 2004 Supp. 12-187, 12-189 and 12-192 and repealing the existing sections] SB 295**

TAX INCENTIVES

2005 – Property Tax – Community Housing Development Organization Exemption

This bill provides a property tax exemption beginning in tax year 2005 for certain property, both real and personal, actually and primarily used for the housing of elderly, disabled, or low-income persons, provided such property is solely owned and operated by not-for-profit community housing development organizations recognized by the Kansas Housing Resources Corporation. In order to qualify for the exemption, the property also is required to be low-cost housing offered at or below fair-market rent; and to meet housing quality standards promulgated by the United States Department of Housing and Urban Development. **HB 2082**

2005 – Sales Tax – Enterprise Zone Exemption Expansion

This bill temporarily expands, until April 1, 2007, a sales tax exemption available for certain purchases associated with the construction, reconstruction, remodeling, or enlarging of a facility located within an enterprise zone to also include facilities located within Saline County which will have their titles conveyed to businesses that otherwise could have qualified for the exemption. Under prior law, only those purchases associated with facilities that were leased for at least five years qualified for the exemption. **[Amending KSA 2004 Supp. 74-50, 115] HB 2102**

2005 – Individual Development Account Program

This bill establishes the Individual Development Account (IDA) program, a savings program in which certain qualifying families' and individuals' savings deposits are matched by those from charitable contributions, and contributions are subject to certain tax exemptions and tax credits. This bill also prescribes certain duties and responsibilities on the Department of Commerce related to IDA's. **[Amending KSA 74-5005 and KSA 2004 Supp. 79-32, 117h and KSA 2004 Supp. 79-32, 117j and 79-32-117k] HB 2222**

2005 – Qualified Manufacturer Act and the Kansas Downtown Redevelopment Act

This bill creates the Qualified Manufacturer Act and amends the Kansas Downtown Redevelopment Act.

Qualified Manufacturer Act

Under the provisions of the Act, a manufacturer could receive up to \$1.0 million in Kansas income tax withholding paid by the manufacturer to its employees. The maximum period is four calendar years. In order to qualify for the Kansas withholding revenue, a qualified manufacturer is a person, corporation, partnership, or other entity engaged in the production of cellulose film in Shawnee County, Kansas, and:

- Is a company that has paid or agrees to pay at least \$10.0 million in existing annual gross compensation to employees in Kansas;
- Has an average wage and salary of at least \$50,000 plus benefits;
- Currently has an investment in Kansas of at least \$26.0 million;
- Employs at least 190 full-time equivalent employees in Kansas; and
- Enters into an agreement with the Secretary of Commerce, which in return for benefits authorized in this Act, the qualified manufacturer agrees to maintain at least 190 full-time equivalent employees in Kansas for five years or longer as the manufacturer and Secretary have agreed.

Kansas Downtown Redevelopment Act

The bill also amends the Kansas Downtown Redevelopment Act so that the tax increment generated by the improvement will be credited to the fund for the purpose of returning all or part of the tax increment to the taxpayer. Current language states that all real property taxes assessed to the base year appraised value would be credited to the fund for the purpose of returning all or part of the tax increment to the taxpayer.

[Amending KSA 2004 Supp. 12-17, 122 and 12-17, 125] HB 2265

TOURISM

2005 – Kansas Film Services Commission

This bill requires the Governor to appoint one member to the Kansas Film Services Commission from each United States Congressional District. The Governor has 15 appointments to the 19-member Commission. This bill also transfers the responsibility to assist the Commission from the Division of Travel and Tourism to the Division of Business Development. **[Amending KSA 74-9202 and KSA 2004 Supp. 74-9201] HB 2232**

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Economic Development Legislation in Kansas: A Chronological History

FY 2006 Report Update

Prepared by



December 2006

Economic Development & Tourism

Date: 1-16-07

Attachment # 4-1



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Stan Ahlerich, President

This attachment to the *Economic Development Legislation in Kansas: A Chronological History from Fiscal Year 1986-2004* contains the FY 2006 update. This publication provides a history of legislation impacting economic development in Kansas since the *Redwood-Krider Report* was produced in 1986.

This publication seeks to provide a historical perspective of the laws and changes that have directly or indirectly influenced economic development in Kansas. In an effort to be efficient with state resources, we have provided the FY 2006 update as an attachment to the 2004 report.

The information presented in this report relies on both the *2006 Summary of Legislation*, published annually by the Kansas Legislative Research Department and the *2006 Session of Laws of Kansas, Volumes 1 & 2*.

We hope you will find this publication to be of value to you in the course of your work.

Sincerely,

Stan R. Ahlerich
President

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INTRODUCTION

The following is a brief overview of economic development legislation during the 2006 session of the Kansas Legislature. This report includes legislation that directly and indirectly impacts economic development efforts in Kansas. This publication will be incorporated into the full Chronological History publication at a later date.

AGRICULTURE DEVELOPMENT

2006 – Abolishment of the Aquaculture Advisory Council

This Act abolishes the Aquaculture Advisory Council that was established in 1992. The Department of Agriculture will continue to support the aquaculture industry within the State and assist the Department of Commerce in promoting and marketing aquaculture products from the State of Kansas. [Amending KSA 2005 Supp. 47-1902 and repealing the existing section; also repealing KSA 2005 Supp. 47-1903 and 47-1904] SB 325

2006 – Biodiesel Fuel Producer Production Incentive

This Act establishes a biodiesel fuel producer production incentive in the amount of \$0.30 for each gallon of biodiesel fuel sold by a Kansas qualified biodiesel fuel producer. The incentive would be payable from the Kansas Qualified Biodiesel Fuel Producer Incentive Fund. The fund will be created in the state treasury and would require that \$437,500 be transferred from the State Economic Development Initiatives Fund on April 1, 2007. Also, on July 1, 2007, and every quarter thereafter, \$875,000 from the EDIF would be transferred to the Incentive Fund. The Act would provide for a sunset of the incentive program on July 1, 2016. SB 388

2006 – Reduction of Motor Vehicle Fuel Tax Rate on E85 Fuels

This Act reduces the motor vehicle fuel tax rate on E85 fuels by \$0.07 per gallon effective January 1, 2007 to \$0.17 per gallon until July 1, 2020. After July 1, 2020, the tax on E85 fuels would be \$0.11 per gallon or \$0.07 below the tax on most other fuels. [Amending KSA 79-3401, 79-3410, 79-3415, 79-3416, 79-3420, 79-3424, 79-3426 and 79-3464e and KSA 2005 Supp. 79-3408, 79-3464c and 79-34,141 and repealing the existing sections] SB 544

COMMUNITY DEVELOPMENT

2006 – Creation of the Topeka/Shawnee County Riverfront Authority Act

This Act creates the Topeka/Shawnee County Riverfront Authority, whose purpose is to promote the general welfare and encourage capitol investment by fostering the creation of recreational, retail, entertainment, economic development and housing within the riverfront of the metropolitan area of the City of Topeka. SB 575

EDUCATION

2006 – Financial Incentives for School District Consolidation

This Act provides a financial incentive for school districts that consolidate and ensures that districts don't receive less state aid when consolidated than when they are operating separately. The Act states that for three years after consolidation, the new district will receive the greater of either the sum of the state aid the former districts received in the year preceding consolidation or the amount the new district would receive under provisions of the school finance act. [Amending KSA 2005 Supp. 72-6434, 72-6445a, 72-8814 and 75-2319 and repealing the existing sections; also repealing KSA 72-6445] SB 481

2006 – Three-Year School Finance Plan

This Act creates a three-year school finance plan with increased funding totaling \$466,200,000 over the three-year period. The Act increases funding as follows:

Program	Current Law	School Year 2006-2007	School Year 2007-2008	School Year 2008-2009
BSAPP	\$4,257	\$4,316 \$33,450,000	\$4,374 \$33,800,000	\$4,433 \$34,000,000
At-Risk	0.193	0.278 \$49,350,000	0.378 \$58,000,000	0.456 \$45,200,000
High Density At-Risk	N/A	0.04/0.08 \$22,700,000	0.05/0.09 \$3,400,000	0.06/0.10 \$3,500,000
Non-Proficient; Non-Free Lunch*	N/A	0.029 \$10,000,000 (1 year only)		
High Enrollment Equalization	1,662	1,637 \$11,700,000	1,622 \$6,800,000	
Special Education	89.3%	92.0% \$30,300,000	92.0% \$25,000,000	92.0% \$25,000,000
Supp. General State Aid (LOB)	27%	30.0% \$37,000,000	31.0% \$22,000,000	31.0% \$15,000,000
Total State Aid		\$194,500,000	\$149,000,000	\$122,700,000

* Program sunsets June 30, 2007

[Amending KSA 72-6435 and 72-6441 and KSA 2005 Supp. 72-978, 72-6405, 72-6407, 72-6409, 72-6410, 72-6412, 72-6413, 72-6414, 72-6414a, 72-6414b, 72-6415b, 72-6426, 72-6433, 72-6434, 72-6439, 72-6442b, 72-64c04, 72-8204c, 72-8814, 72-9509 and 75-2319 and repealing the existing sections; also repealing KSA 2005 Supp. 75-2320] SB 549 & HB 2809

2006 – Extension of IMPACT Act Provisions

This Act removes until July 1, 2008 the restriction on the Secretary of Commerce to offer incentives for major project investments, which are defined as business costs, including, but not limited to, relocation expenses, building and equipment purchases, labor recruitment, and job retention under the Investment in Major Projects and Comprehensive Training (IMPACT) program.

Additionally, the bill adds the responsibility to promote and evaluate workforce development to the legislative economic development committees. **[Amending KSA 46-1601 and KSA 2005 Supp. 74-50,107 and repealing the existing section] HB 2856**

INFRASTRUCTURE

2006 – Creation of the Kansas Oil and Gas Resources Board

This Act enacts the Kansas Petroleum Education and Marketing Act (KPEMA) and authorizes the establishment of the Kansas Oil and Gas Resources Board. The purpose of the Board is to:

- Coordinate public education regarding the oil and natural gas industry;
- Encourage energy efficiency;
- Promote environmentally sound production;
- Support research and educational activities concerning the industry;
- Promote exploration and production safety;
- Support job training and research activities; and
- Implement and comply with other provisions of KPEMA.

SB 93

2006 – Establishment of a process for possible city-county unification in Greeley County

This Act establishes a process for a possible city-county unification in Greeley County. **[Amending KSA 2005 Supp. 19-205 and repealing the existing section] SB 164**

2006 – Eminent Domain for economic development purposes

This Act establishes that on or after July 1, 2007, the taking of private property by eminent domain for the purpose of selling, leasing, or transferring it to another private entity including takings under the tax increment financing law would not be permitted unless the taking meets any of the following guidelines:

- The property is deemed excess real property that was taken lawfully and incidental to the acquisition of right-of-way for a public road, bridge, or public improvement project of the Kansas Department of Transportation or a municipality;
- The taking is by any public utility;
- The taking is by any gas gathering service, pipeline company, or railroad;
- The private property owner has acquiesced in writing to the taking by any municipality;
- The property has defective or unusual conditions of title or unknown ownership interests in the property and is taken by any municipality; or
- The property is unsafe for occupation by humans under the building codes.

[Amending KSA 12-1306, 24-438, 24-467, 26-201, 26-501, 26-505, 26-507 and 72-8212a and KSA 2005 Supp. 12-1773, 19-101a, as amended by section 16 of 2006 House Bill No. 2590, and 26-508 and repealing the existing sections] SB 323

2006 – Continuation of Kansas Universal Service Fund support

This Act eliminates the statutory sunset provision on the use of the embedded cost model to determine the Kansas Universal Service Fund (KUSF) support for rural telephone companies. The Act only applies to rural telephone companies and would ensure the continued use of the imbedded cost model to determine KUSF support.

[Amending KSA 66-2008 and repealing the existing section] SB 349

2006 – Change of Requirements for Government Consolidation

This Act amends several laws dealing with city-city consolidation and county-county consolidation and expands who may vote in drainage district elections and hold the office of director.

This Act deletes the requirement regarding city-city consolidation that the cities must be adjacent cities, thus permitting cities whose boundaries don't touch to consolidate. A petition carrying signatures of five percent of qualified electors would be sufficient to bring the issue before voters. Regarding county-county consolidation, the Act deletes the current provision requiring more than half of the legal voters in each county to petition for the consolidation or boundary change, by allowing the issue to be brought before voters of each county either by the passage of a resolution by each county or by petition of at least five percent of the qualified electors in each county.

The Act also amends three drainage district acts to expand those persons who are considered qualified electors and those persons who may be eligible to hold the office of director. The Act provides that if there are no residents within the district who are owners of land, any owner of land located within the district shall be a qualified voter and eligible to hold the office of director. **[Amending KSA 12-301, 12-302, 18-202, 24-484 and 24-506 and KSA 2005 Supp. 19-101a and KSA 24-409, as amended by section 1 of 2006 Senate Bill No. 392, and repealing the existing sections] SB 379**

2006 – State Affordable Airfare Fund

This Act creates the \$5.0 million State Affordable Airfare Fund, to be administered by the Department of Commerce. Funds would be transferred from the State General Fund or Special Revenue Funds subject to appropriations, used to fund the program to provide air flight options, more competition for air travel and affordable airfares for Kansas, including a regional airport in western Kansas. Funds would be distributed through an annual grant by the Department of Commerce to the Regional Economic Area Partnership (REAP) based on a match of 25.0 percent from local units of government or private entities and 75.0 percent from the State Affordable Airfare Fund. **SB 475**

2006 – Improvement Districts Director Requirements

This Act requires the directors of improvement districts to either own land or reside in the improvement district in order to serve in that position. The Act also requires:

- Distinguishing between regular and special meetings of improvement district Boards of Directors;
- Authorizing improvement district Boards of Directors to set Board members' compensation.

[Amending KSA 19-2760 and 19-2764 and repealing the existing sections] SB 497

2006 – Delete Forms in the Eminent Domain Procedure Act

This Act deletes forms that are in the following:

- Code for the Enforcement of County Codes and Resolutions;
- Notices Forms in the Eminent Domain Procedure Act; and
- Consent to medical care form in Chapter 38 dealing with minors.

[Amending KSA 19-4710, 19-4712, 19-4713, 19-4715, 19-4738 and 38-133 and KSA 2005 Supp. 26-506 and repealing the existing sections] SB 550

2006 – Increased City Bonded Debt Limitation for Junction City

This Act raises the city bonded debt limitation for the City of Junction City from 30 percent of assessed valuation to pay for needed infrastructure improvements. **[Amending KSA 10-308 and repealing the existing section] HB 2759**

TAXATION

2006 – Restoring uniformity to local sales tax provisions

This Act restores uniformity to local sales tax provisions relating to cities by reducing the number of classes of cities to one. All of the cities in that class would be granted authority to levy sales taxes of up to two percent for general purposes and up to one percent for special purposes, for a maximum rate of three percent. Any special purpose taxes levied would be required to sunset after ten years. **[Amending KSA 12-195b, as amended by section 3 of 2006 House Bill No. 2698, and KSA 2005 Supp. 12-187, as amended by section 1 of 2006 House Bill No. 2698, 12-189, as amended by section 2 of 2006 House Bill No. 2698, and 12-194 and repealing the existing sections; also repealing KSA 2005 Supp. 12-188] SB 55**

2006 – Additional Local Tax Authority to Certain Counties

This Act grants additional local sales tax authority to several counties and clarifies the disaggregation of revenues with respect to a previously adopted tax in Phillips County.

- Atchison County – 0.25 percent to finance the construction and maintenance of sports and recreational facilities;
- Crawford County – 0.5 percent authority for economic development initiatives and public infrastructure projects;
- Harvey County – 1.0 percent for property tax relief, infrastructure development and economic development;
- Marion County – 1.5 percent for the construction or remodeling of a courthouse, jail, law enforcement center, or other county administrative building;
- Reno County – 0.25 percent or 0.5 percent for the construction or remodeling of a courthouse, jail, law enforcement center, or other county administrative building; and
- Saline County – 0.5 percent to finance the construction and operation of an expocenter.

[Amending KSA 2005 Supp. 12-187, as amended by section 1 of 2006 House Bill No. 2698, 12-189, as amended by section 2 of 2006 House Bill No. 2698, and 12-192 and repealing the existing sections] SB 435

2006 – Special Sales Tax Rate in Sherman County

This Act would authorize a special sales tax rate in Sherman County, subject to voter approval, of one percent for street and roadway improvements. In order to accommodate this increase, the total countywide sales tax rate also would be increased to 2.25 percent, and the bill would exempt Sherman County from any statutory limitation of bonded indebtedness. **[Amending KSA 12-195b and KSA 2005 Supp. 12-187 and 12-189 and repealing the existing sections] HB 2698**

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TAX INCENTIVES

2006 – Enacting the Kansas Energy Development Act

This Act enacts the Kansas Energy Development Act that authorizes income tax credits, accelerated depreciation, and property tax exemptions for several types of energy-related projects. Eligible projects include oil refineries, crude oil and natural gas liquids pipelines, integrated coal or coke gasification (ICCG) nitrogen fertilizer plants, cellulosic alcohol plants, and integrated coal gasification power plants (ICGPP). [Amending KSA 79-32,120 and 79-32,138 and KSA 2005 Supp. 79-32,117 and repealing the existing sections] SB 303

2006 – Rural Business Development Tax Credit, Kansas Community Entrepreneurship Tax Credit, Eminent Domain, Workforce Development

This Act increases the Rural Business Development Tax Credit and the Kansas Community Entrepreneurship Tax Credit from 50 percent to 75 percent; however, the total amount of credits allowed under each program would not exceed \$2.0 million in FY 2007. This Act also moves the Kansas Community Entrepreneurship Fund to the Kansas Center for Entrepreneurship, and allows the fund to receive contributions of cash or property other than used clothing in an amount or value of \$250 or more. Under current law, contributions are limited to cash. In addition to the current law provision allowing the Center for Entrepreneurship to grant funds to local and regional economic development organizations, the Act permits the Center to also lend those funds to create a revolving loan fund.

The Act also changes the eminent domain requirements for tax increment financing (TIF) and sales tax and revenue (STAR) bond statutes, including:

- Any property acquired by use of eminent domain that is sold, transferred, or leased to a developer for a specific redevelopment project could only be used for the specific approved redevelopment project.
- Any transfer by the redevelopment project developer of property acquired by eminent domain would require a two-thirds majority vote of the elected governing body of the city.

Finally, the Act requires the Department of Commerce to provide workforce training to every older Kansan who qualifies for the training programs. Included within this requirement is the preparation of a strategic plan in coordination with the Area Agencies on Aging (AAAs) and the Older Kansans Employment Program (OKEP). [Amending KSA 2005 Supp. 12-1773, 74-50,154, 74-99c02, 74-99c05 and 74-99c09 and repealing the existing sections; also repealing KSA 2005 Supp. 74-99c06] SB 324

2006 – New Business Machinery and Equipment Tax Exemption

This Act eliminates property taxes on business machinery and equipment purchased after July 1, 2006. Certain commercial and industrial, railroad, and telecommunications machinery and equipment are exempt. The Act also expands the exemption for “low-cost” items of machinery, equipment, materials, and supplies from \$400 to \$1,500. The Act also creates two new funds within the state treasury, the Business Machinery and Equipment Tax Reduction Assistance Fund (BMETRAF) and the Telecommunications and Railroad Machinery and Equipment Tax Reduction Assistance Fund (TRMETRAF). These funds are designed to provide assistance to local governments to compensate for the loss of local tax revenues. [Amending KSA 75-2551, 79-210 and 79-2930 and KSA 2005 Supp. 79-201w, 79-213, 79-2959, as amended by section 160 of 2006 Senate Bill No. 480, and 79-4508 and repealing the existing sections] SB 2583

KANSAS BIOSCIENCE AUTHORITY

2006 – Operation of Umbilical Cord Banks

This Act would allow the Kansas Department of Health and Environment (KDHE) to establish and provide for the operation of umbilical cord banks in Kansas. Within this Act, the Kansas Bioscience Authority would be authorized to coordinate the use of umbilical cords, umbilical cord blood, amniotic fluid, or placentas. KDHE and the Kansas Bioscience Authority would also be authorized to jointly encourage and facilitate the establishment of umbilical cord banks in Kansas. SB 84

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Chapter 1

Agriculture Development

Corporate Farming

2002 - Poultry Production Contracts

The Legislature establishes certain requirements for poultry production contracts. Contracts which violate these provisions would be void and unenforceable. A poultry producer who suffers damages from a contractor's violation may be able to obtain appropriate legal relief. **[KSA 16-1701]**

1998 - Kansas Corporate Farming Law Amended; Swine Facility Regulation

The Legislature establishes new provisions relating to the regulation of confined animal feeding facilities. The amendment requires that in counties where county commissioners adopt a resolution allowing large-scale hog feeding operations, the resolution must be submitted to a vote of local electors. In addition, new environmental regulations increase the separation distances between the boundaries of large-scale swine production facilities and inhabited dwellings, wildlife refuges, surface and groundwater wells. The new law requires compacted soil or synthetic plastic liners for swine waste lagoons or ponds and reduced the allowable daily seepage rate from such waste facilities. The bill requires swine production facilities to develop a number of plans for governing their operations, such as waste-management plans, odor control plans, nutrient management plans for waste that is spread on crop land, emergency response plans for waste lagoons that overflow or rupture, and a plan for disposing of dead animals.

The legislation also requires the Secretary of KDHE to appoint an advisory committee to consult with and advise the Secretary on the implementation and administration of the new provisions of the law dealing with swine facilities. The advisory committee would consist of five members who represent persons knowledgeable and experienced in areas related to regulation of swine facilities.

The legislation requires that the Secretary of KDHE adopt rules and regulations necessary to implement and enforce the provisions of the bill before January 1, 1999. The law also requires that on or before the first day of the 1999 and 2000 Legislative Sessions the Secretary of KDHE submit a report regarding the implementation of the provisions of the bill to the House and Senate Agriculture Committees, the Senate Energy and Natural Resources Committee, and to the House Committee on Environment. **[KSA 65-171d et seq.]**

1996 - Family Farm Limited Liability Companies

The Kansas Corporate Farming Law was amended to add "family farm limited liability agricultural companies" to the list of entities which are permitted to own, acquire, or otherwise obtain or lease agricultural land in Kansas. **[KSA 17-5903 et seq.]**

1994 - Corporate Swine Production Facilities and Marketing Pools

The Kansas Corporate Farming Law is amended to permit the establishment of swine production facilities owned or leased by a corporation or limited liability company in counties where the county commission has adopted a resolution to allow such facilities. The bill also allows for the establishment of swine marketing pools. The amendment further permitted the issue of the resolution to be placed on the ballot when a valid protest petition in opposition to the resolution has been filed with the county clerk. **[KSA 17-5908 et seq. and KSA 16-1501 et seq.]**

1994 - Corporate Dairy Production Facilities

The Legislature amends the Kansas Corporate Farming Law to permit the establishment of corporate

dairy production facilities in counties where the county commission has adopted a resolution to allow such facilities. The amendment further permits the issue of the resolution to be placed on the ballot when a valid protest petition in opposition to the resolution has been filed with the county clerk. [KSA 17-5907]

1987 - Corporate Poultry and Rabbit Confinement Facilities

The Kansas Corporate Farming Law is amended to allow corporations to purchase agricultural land for the purpose of operating poultry confinement facilities and rabbit confinement facilities. The same bill amends KSA 79-201a to prohibit any city or county from abating property tax for these facilities and prohibited property tax abatements in connection with IRBs for these facilities. [KSA 16-1503 et seq.]

Kansas Value-Added Center

1998 - Agriculture Products Development Division - Repeal of Sunset Provision

The section of law that would have sunset the Agriculture Products Development Division of the Department of Commerce & Housing on July 1, 1998 was repealed. [KSA 74-50,164 now repealed]

1996 - Agriculture Products Development Division within KDOC&H; creation of

The Legislature creates the Agriculture Products Development Division within KDOC&H, abolishes the Kansas Value-Added Center, and transfers the power, duties, and functions related thereto to the new Division. Certain functions of the Division of Markets within the Department of Agriculture are also transferred to the new division in KDOC&H. The Agriculture Products Development Advisory Board is created to advise the Secretary of Commerce & Housing and the new division director on issues and concerns of agriculture product development. [KSA 74-50,156 et seq.]

1993 - Agricultural Value-Added Processing Center; transfer of administration

The Center is reestablished under the administration of the Kansas Technology Enterprise Corporation (KTEC). Its mission is expanded to include non-food and industrial agricultural uses. The Legislature also establishes a leadership council of 16 members to guide its operation. [KSA 74-8117 now repealed]

1988 - Agricultural Value-Added Processing Center; creation of

The Agricultural Value-Added Processing Center is created and associated with Kansas State University. The Center's mission includes but is not limited to:

- Providing technical assistance to existing and potential value-added processing facilities.
- Developing an information network for those involved in value-added processing.
- Initiating pilot plant facilities to act as research and development labs.
- Establishing research and development programs in technologies that have value-added commercial potential for food and non-food agricultural products. [KSA 76-481 now repealed]

Other Agriculture Development Issues

2004 - Department of Agriculture—Extension of Fees

The bill extends the sunset for a number of fees within the Kansas Department of Agriculture. These fees were increased by the enactment of 2002 SB 438. The 2002 enactment required that the fees being increased return to prior levels on July 1, 2005. [KSA 82a-714a]

2004 - Agricultural Liens—Time for Filing

The bill amends one section of the statute that deals with liens on property. The bill specifically extends the period of time in which a supplier may file a lien on agricultural production from 20 days to 60 days. The filing period begins to run from the date the last agricultural input was furnished to the customer by the supplier. SB 338

2003 - Agricultural Production Loan Program—Amendment

The bill makes an amendment to one section of law which authorizes the agricultural production loan program. The bill provides that the interest rate for a loan to an “eligible borrower” would be 4 percent from the time the bill is effective (upon publication in the *Kansas Register*) until June 30, 2003. After June 30, 2003, the interest rate charged to borrowers would be no greater than 4 percent more than the rate at which the money is provided to the lending institution by the state. [KSA 72-6431b]

2002 - Dam Safety Program; Water Structure Fees:

The bill imposes new fees on the construction of dams or other water obstructions and distinguishes between dams that are in pre-construction and in-progress phases. It also creates the Water Structures Fund and provides that moneys from fees imposed under this bill will be deposited into the fund. The bill repeals KSA 82a-304 and defines a dam to be any artificial barrier including appurtenant works with the ability to impound water, wastewater, or other liquids that has a height of 25 feet or more; or has a height of six feet or greater and also has the capacity to impound 50 or more acre feet of water.

People wishing to construct a dam can have their application reviewed by a licensed engineer who is approved Chief Engineer of the Division of Water Resources. The Chief Engineer must also keep a list of licensed engineers. If the licensed engineer submits findings that the dam or other water obstruction meets the Department of Agriculture's standards then the Chief Engineer has 45 days to approve the application.

The Chief Engineer must inspect unsafe dams each year until they come into compliance with the law. There are also inspection fees, which increase depending on the size of the dam. Also, hazardous dams must be inspected by a licensed engineer every 3 to 5 years depending on their hazard class. The engineer must then report to the Chief. Failure to complete the inspection and/or report is a violation of the Stream Obstruction Act. [KSA 82a-328]

2002 - Department of Agriculture— Fees

The bill adjusts current fees within the Kansas Department of Agriculture. The bill requires that the fees being increased by the bill return to prior levels on July 1, 2005. Finally, the bill requires the Department of Agriculture to reimburse the fee for a water rights application to the applicant if the application is not processed within 150 days of receipt by the agency of the complete application. [KSA 2-1233]

2002 - Kansas Sunflower Commission; creation of

The Commission is to establish a program of market development and promotion for sunflower seeds in the same manner as other grain commodity commissions. The program is to be funded by an assessment on the sale of sunflowers in the state. The Governor is to appoint a nine-member commission on or after September 1, 2002. Beginning in 2005, this commission's membership would be elected by sunflower producers in the state from crop reporting districts. The Sunflower Commission is allowed to set the assessment rate, however the rate is limited to a maximum of \$0.03 per cwt. [KSA 2-3001]

2001 – Drainage District Expansion

The bill amends a drainage district law to change the process for expansion of certain drainage districts by seeking approval following a public hearing from the board of county commissioners rather than filing a petition for expansion in the district court. The bill expands the powers of these drainage districts to correspond to powers of drainage districts formed under other drainage district laws and includes the power to levy a property tax. The bill authorizes these drainage districts to enter into agreements with owners of land located outside the district allowing water from these lands to drain into the district. Land affected which is located within a city located in a county with an assessed valuation of more than \$150 million may not be added without the city governing body's approval. [KSA 24-611a]

2001 – Agricultural Ethyl Alcohol Incentive

The bill modifies the section of law dealing with incentives for the production of ethyl alcohol. Specifically, the bill provides for an incentive of \$0.05 for each gallon of agricultural ethyl alcohol sold by the producer to an alcohol blender with an annual cap of \$2 million. This incentive is only for the current producers. Any moneys left at the end of the year are to be transferred to meet a new production incentive. This is to be for facilities that have new production of at least 500,000 gallons. No incentive would be available for new or expanded production over 15,000,000 gallons. The incentive on expanded or new production would be \$0.075 per gallon and would be limited to seven years. **HB 2011**

2001 – Agricultural and Specialty Chemical Remediation Act Amendments

The Legislature amends the section of law outlining the reimbursement for persons who have performed corrective actions under the program by limiting the amount reimbursed for any one site to not more than \$200,000 within a five-year period or as otherwise set forth by the Agricultural Remediation Board through rules and regulations. This section also is amended to limit those reimbursements to pesticide dealers who have paid the \$5 fee to no more than \$10,000 for corrective action costs. The section clarifies that the reimbursement for corrective action costs is limited to those who have paid the assessment and not those who are required to do so. **SB 254**

2001 – Flexible Water Accounts; Water Banking Act;

The Legislative bill permits the holder of a groundwater water right that has not been deposited or placed in a safe deposit account in a chartered water bank to establish a flex account where the holder may deposit, in advance, water from the right for use in any five consecutive calendar years. The amount of the water deposited in the account would be 90 percent of the holder's base average usage times five.

In addition, the bill enacts the Kansas Water Banking Act, subject to availability of appropriations. This allows for the chartering of water banks, which would be private not-for-profit corporations leasing water from holders of water rights that have been deposited in the bank. Water banks may provide services to facilitate the sale or lease of water rights and would be prohibited from owning or selling water rights. **[KSA 82a-736 through 82a-773]**

2000 - Privatization of the Grain Commodity Commissions

The bill privatizes the Corn, Grain Sorghum, Soybean, and Wheat Commissions effective July 1, 2000. Each commodity will have its own commission elected by producer members who will serve three-year terms. Members of the new commissions will be elected by commodities growers who are resident in the state. Commissioners will have to be residents of the state and have been producers of the commodity for at least five years prior to election. The Dean of the College of Agriculture at Kansas State University and the Secretary of Agriculture will serve as ex-officio members of each of the commissions. Commissions will have the power to, among other things, conduct a campaign of commodity promotion and market development; accept grants and donations; contract with the Secretary of Agriculture for the collection of assessments; and to annually set the related mill levy rate at not more than 5 mills for grain sorghum, 5 mills for corn, 20 mills for soybeans, and 10 mills for wheat. **HB 2674**

2000 - Sustainable Agriculture and Alternative Crops Center of Excellence

The Legislature establishes a center of excellence on sustainable agriculture and alternative crops at Kansas State University. Some of the functions and duties of the center will be to emphasize research, education, outreach, and marketing for sustainable agriculture and alternative food, fiber, and medicinal crops; expand small farm research; develop and distribute a guide of all state services for small farms and value added agriculture; and focus research on value added process and new crops that offer low-volume, high margin niche opportunities. **SB 534**

2000 - Sales Tax Exemption for Grain Storage

The sunset on a sales tax exemption enacted originally in 1999 for materials and services purchased for the original construction, reconstruction, repair, or replacement of grain storage facilities, including railroad sidings providing access to such facilities was extended for one year. That exemption sunset on January 1, 2000, and the Legislature restored it retroactively to that date and further extended it through December 31, 2000. **SB 59**

1999 - Sales Tax Exemption for Grain Storage Facilities and Railroad Sidings

The Tax Reform and Relief Act of 1999 exempted from the sales tax for calendar year 1999 those materials and services purchased for the original construction, reconstruction, repair, or replacement of grain storage facilities, including railroad sidings providing access thereto. An additional exemption was provided (but only for calendar year 1999) for certain materials and services purchased by shortline railroads for construction, renovation, repair, or replacement of track and facilities used directly in interstate commerce. **[SB 45 Amends KSA 79-3606]**

1999 - Dairy Interstate Compact

The Legislature authorizes the state to enter into an interstate dairy compact. However, the Secretary of Agriculture is required to conduct an economic impact study prior to entering the compact to determine the impact on producers, processors, and consumers. The Secretary of Agriculture is given the authority to enter into a dairy compact, upon approval of the Legislature or by the Legislative Coordinating Council, if the Legislature is not in session. **[SB 65 amends KSA 2-1205]**

1998 - Grain Storage, Extension of Time for Temporary License

The Legislature amends current law to allow the Secretary of Agriculture to extend the waiver beyond 30 days for grain stored in an alternative location other than a location identified in the public warehouse license if the Secretary determines that the owner of the grain would suffer substantial hardship if the grain were required to be stored at a location identified in the license. The Secretary is authorized to determine what constitutes "substantial hardship" and the length of time the grain may be stored at the alternative location. **[KSA 34-228]**

1998 - Railroad Leasing Act - Grain Elevators

The Railroad Leasing Act is enacted to regulate lease agreements between railroad companies and public warehousemen or other persons primarily engaged in the sale or distribution of fertilizer or agricultural chemicals. The Act requires mediation of disputes, required compensation for tenant improvements to railroad land in certain cases, and required purchasers of railroad lands to abide by the lease agreements and provisions of this Act. The provisions of this Act did not apply to or affect any valid lease already in effect prior to the enacting of this Act. **[KSA 66-531 et seq.]**

1998 - Kansas Agricultural Seed Council Established

The Legislature creates a seven-member Kansas Agricultural Seed Council. Members of the Council must be residents of the state and currently be active seedsmen. At least three of the members must be elected from the list of seed wholesalers registered with the Department of Agriculture and the remainder must be active seedsmen or representatives of seed product development, distribution, and production. The Director of the Agricultural Experiment Stations of Kansas State University and the Director of the Agricultural Products Development Division serves as ex officio nonvoting members of the Council. Along with other general powers, the Council would conduct a campaign of seed industry development, through research education and information and would cooperate or contract with any local, state, or national organization or agency engaged in work or activities similar to the work of the Council. **[KSA 2-3601 et seq.]**

1995 - Kansas Dairy Commission; creation of

The Dairy Marketing Advisory Board statute was amended in 1995 to establish a seven-member commission elected at the annual convention of the Kansas Dairy Association. Members must be a Kansas residents and an active dairy producer. The commission raises money through a voluntary assessment of 0.1 percent of the market price of fluid milk at the first sale. The assessment is refundable for those who don't choose to participate in the industry development and marketing efforts of the commission. **[KSA 47-2301 et seq.]**

See Also:

2002 - Property Tax –Use Valuation of Agriculture Land, pg. 70

2000- Nurseries and Greenhouses included under farm Machinery & Equipment for property Tax Exemption, pg. 71

2000 - Farm Net Operating Losses Carrybacks, pg. 63

1999 - SCR Urging Federal Action, pg. 53

Chapter 2

Business Finance

Venture Capital

2003 - Capital Formation Company Act

The bill changes the limit from investors using 10 percent of their tax credit per year to a percentage proportional to the amount of certified funds a CFC has invested in qualified Kansas business, not to exceed 10 percent per year. It amends the Act so that CFC's no longer have to fully invest certified capital within five years. Also, the bill does away with language requiring an investigation as to whether CFC managers and owners have been convicted of a crime other than misdemeanor traffic violations. However, it retains and amends language requiring an investigation as to whether they have been convicted of a crime dealing with security sales, fraud or deceit. **SB 65**

2002 - Kansas Certified Capital Formation Company Act

The bill allows for the formation and use of Capital Formation Companies (CFC's) to invest in Kansas Companies that are less than 5 years old and have no more than \$1 million in gross sales in any one year. Any person or legal entity can be an investor in a CFC and all investors will receive state tax credits. The purpose of the act is to enhance the development of seed and venture capital in Kansas and support the modernization and expansion of the state's economy.

The Department of Commerce and Housing has regulatory control over CFC's. In order for CFC's to get approval they must have \$500,000 in liquid assets and have an approved fund manager. Then the CFC has one year to acquire \$5 million in order to be certified. The Kansas Technology Enterprise Corporation Innovation and commercialization lenders as well as non-metropolitan CFC's are exempt from this \$5 million criterion (KTEC needs \$1 million while non-metropolitan CFC's are subject to negotiation with the Secretary of Commerce and Housing). Also, there is no upper limit on the amount of capital that a CFC can raise but tax credits will not be issued for investments for more than \$10 million in any one CFC. The Department of Commerce and Housing must also require annual financial audits from CFC's, conduct an annual compliance review of each CFC, and give an annual report to the Governor and Legislature.

The source of funds will be separated from the use of funds because investments in portfolio companies will be made by the manager of the CFC and not by investors in the CFC. The bill also clearly defines and penalizes violations of conflict of interest standards or self-dealing.

Investors will receive a 50 percent state tax credit but they cannot claim more than 10 percent of the credit in any tax year. No more than \$2 million in credits will be given in a year (starting in FY 2005) and the total amount of credits over the life of the program is \$20 million. Also, out-of-state investors can transfer credits to Kansas Taxpayers. **[KSA 74-8221 through KSA 74-8229]**

1998 - Purchase of the State's Interest in Ad Astra Funds

The bill authorizes a taxpayer who purchases the Kansas Technology Enterprise Corporation's entire interest in the Ad Astra Funds to receive a 25 percent income tax credit for subsequent investments in that fund. The bill expressly prohibits allowing tax credits for the actual purchase of KTEC's interest in the Funds and limited the total amount of tax credits that could be claimed for subsequent investments to slightly over \$1.5 million. **[KSA 74-8401]**

1998 - Kansas Venture Capital, Inc.; Repayment to State

The Legislature passes a bill authorizing Kansas Venture Capital, Inc. (KVC) to repay the state's preferred stock investment of \$5 million. The bill allows KVC to redeem the state's stock in annual installments of \$1 million beginning July 31, 1998. Provisions for deferment of payments under certain circumstances are included in the bill. Any repayments of funds are to be credited to the Public Water Supply Loan Fund.

The bill reinstated investment capacity and the associated tax credits that have been reserved for investments in KVC and Sunflower Technology Ventures. The combined investment capacity from these two sources was \$6,012,345 and the maximum allowable tax credits (25 percent of total investment capacity) were \$1,503,086.

Finally, the bill eliminated the requirement that KVC invest all its funds in Kansas companies once the state is completely repaid. [KSA 74-8203, 74-8205, 74-8206, 74-8303, 74-8304, 74-8307 and 74-8401]

1996 - Sunflower Technology Ventures; investment tax credits authorized

The bill authorizes a 25 percent tax credit on investments made in KTEC's newly established Sunflower Ventures. The authorization is based on a remaining allocation from the original venture and seed capital tax credit allocation. [KSA 74-8401]

1995 - Sunflower Technology Ventures; establishment of

The Kansas Venture Capital Company Act is amended to authorize KTEC to establish a technology-based venture capital fund. The Sunflower Technology Ventures is funded through the EDIF with \$3.3 million. KTEC planned to raise private funds of \$6.7 million. The KTEC Board of Directors returned the original appropriations to the state in 1998 with interest. [KSA 74-8316]

1994 - Credit Authorized for KVC Investments in Service Sector Firms

The Legislature amends KVC's statute to allow the fund to make investments in export-oriented service sector firms as recommended by Kansas, Inc. [KSA 74-8307]

1993 - Sunset for Investment Tax Credits; extension of

The Legislature extended the time period during which investments in certified Kansas venture capital companies, certified seed capital pools, and KVC could be made from January 1, 1993 to January 1, 1998. [KSA 74-8304 and 74-8205]

1989 - Investment Tax Credits; investment limits raised

The Kansas Venture Capital Company Act and Local Seed Capital Pools Act are amended to raise the statewide aggregate limit on cash investment in certified venture capital companies, local seed capital companies, and Kansas Venture Capital Inc. from \$24 million to \$50 million. [KSA 74-8304 and 74-8401]

1988 - Investment Tax Credits; carry-over of credits allowed

The Kansas Statewide Risk Capital System Act and Local Seed Capital Pools Act are amended to allow the carry-over of credits and the pass-through of the credits to shareholders in subchapter S corporations. [KSA 74-8205, 74-8206, and 74-8401]

1988 - Ad Astra Fund; creation of

The Legislature authorizes the creation of a limited partnership to make equity and debt investments in early-stage companies with advanced technologies. The fund, administered by KTEC, was initially capitalized with \$1.8 million in state funding and \$0.8 million in private investment. The State of Kansas

appropriated an additional \$3.0 million to develop an Ad Astra II fund which attracted private investment of \$960,000. [KSA 74-8109]

1986 - Kansas Venture Capital Company Act and Local Seed Capital Pools Act; Investment Tax Credits

The purpose of this act was to facilitate the formation of private venture capital companies and local seed capital pools by granting tax credits to taxpayers making investments in such funds. The tax credit was set at an amount equal to 25 percent of the taxpayer's total investment. [KSA 74-8304 et seq. and KSA 74-8401 et seq.]

1986 - Kansas Statewide Risk Capital System Act; creation of Kansas Venture Capital Inc.

Kansas Venture Capital Inc. (KVC) was established in 1986 to provide equity and debt financing to Kansas businesses in various stages of development. KVC was capitalized with \$5 million in state funds and \$6.6 million in private investment (mostly from the banking community.) A tax credit equal to 25 percent of a taxpayer's total investment in KVC was provided investors. [KSA 74-8204 et seq.]

Kansas Economic Opportunity Initiative Fund (KEOIF)

2000 - KEOIF Reporting Requirements

The bill amends existing law to require the five-member panel charged with reviewing annually the propriety of projects funded by KEOIF to report its findings in writing to the House Committee on Economic Development, the Senate Commerce Committee, and the Joint Committee on Economic Development. The panel was already required to conduct this review and report to the Governor. The bill simply extends the reporting requirement to include the legislative committees. **HB 2929**

2000 - KEOIF expanded

The KEOIF statute is further amended to expand the authority of the Department of Commerce and Housing to use KEOIF moneys to fund projects that involve "a substantial reduction" of a major federal or state institution or facility. Prior law only allowed the use of KEOIF funding to remedy economic losses associated with the "closure" of a major federal or state institution or facility. **HB 2929**

1996 - Authority to Approve given to Secretary of Commerce & Housing

The KEOIF statute is amended to give the authority originally vested in the five-member panel to certify projects to the Secretary of Commerce & Housing. The amendment changed the function of the five-member panel that had originally approved projects, to an advisory function tasked with performing an annual review of projects awarded. [KSA 74-50,151 et seq.]

1994 - Kansas Economic Opportunity Initiative Fund (KEOIF); creation of

The bill creates the Kansas Economic Opportunity Initiative Fund (KEOIF). A forerunner fund was first established and funded in 1993 with an appropriations proviso, after both the House and Senate passed legislation to establish a fund and then vetoed by the Governor.

When KEOIF was established, \$1.8 million remained in the preceding fund and was transferred to KEOIF. An additional \$1.7 million was appropriated to bring the fund to \$3.5 million for FY 95. Subsequent funding has included \$4.0 million each year for FY's 96-99 and \$5.0 million in FY 2000.

A five-member panel made up of the Secretary of KDOC&H, the President of Kansas, Inc., the President of KTEC, the private sector Chairperson of Kansas, Inc. and the private sector Chairperson of KTEC was established. It is the duty of the panel to certify to the Governor when a proposed project met one of the following conditions, so that the Governor could grant final approval. These conditions are:

- a major expansion of an existing Kansas firm
- the potential location of a major employer
- the award of a major federal or private sector grant which has a financial match requirement
- the loss of or substantial reduction of operations of a major employer
- the closure of a major federal or state institution/facility [KSA 74-50,151 et seq.]

Tax Increment Financing (TIF)

2004 - Tax Increment Financing Act

The bill allows a city to extend the amount of time for remediation of an environmentally contaminated area under the Tax Increment Financing Act to 30 years after receiving the approval of the Board of County Commissioners and the local board of education. Prior law limited the amount of time to 20 years. **SB 235**

2004 - Tax Increment Financing Act

The bill amends the tax increment financing law to allow any redevelopment district established prior to January 1, 2003, to continue to receive transient guest, sales and use taxes from taxpayers, whether or not revenues from such taxes are received by the city.

In addition, the bill includes the following components:

- STAR bonds could not be used to finance personal property as defined in the state's property tax laws after the effective date of the act.
- Redevelopment districts could be established wholly outside of a city's boundaries with the written approval of the county commission.
- The Department of Commerce is given the authority to adopt rules and regulations.
- Tax increment financing bonds are made payable from all of the revenues received by the city or county from any transient guest, local sales and use taxes that are collected from taxpayers doing business within that portion of the city's redevelopment district.
- A city that owns a building or structure that was financed in whole or in part by STAR bonds is allowed to engage a manager to manage such building or structure and the contractual relationship will not be deemed as a lease to a developer as defined in the tax increment financing laws.
- A city that exercises eminent domain to acquire property must compensate the property owner at least 125 percent of the highest appraised valuation based on the prior three years evaluation.

All cities that have projects financed with STAR bonds are to prepare and submit an annual report to the Governor; the Secretary of Commerce; Kansas, Inc.; and the Legislature by October 1 of each year that describes the status of any projects within the redevelopment area. [KSA 74-5002r]

2003 - Redevelopment of Federal Enclaves

The bill allows Johnson and Labette Counties to utilize Tax Increment Financing (TIF) to develop federal enclaves located in those counties. Under prior law, cities were authorized to enter into TIF arrangements and to issue bonds which are backed by property tax revenues. However, counties did not have this authority. The provisions of the bill are as follows:

- 1) The bill allows for the establishment of a redevelopment district to include all or any property located within a federal enclave. There must be a master development plan before the district can be approved as well as holding a public hearing and notifying the public of such hearing. The Board of County Commissioners has 60 days to adopt the plan after the hearing. A district can also be made by the KDFA by request of the county

- 2) The Board can create a redevelopment authority comprised of seven members and the bill sets up guidelines for the appointment of these members. The Board can also dissolve the authority at any time and assume their duties.
- 3) The conditions for acquiring a federal enclave are:
 - The property must be part of the Sunflower Army Ammunition Plant
 - The property is transferred due to environmental contamination or the Governor has executed a finding of suitability for early transfer
 - Neither the state or county has declared an intent to acquire land for redevelopment purposes
 - Acquisition doesn't require any finance other than that which is secured by the property itself
 - The district must have a feasible study that shows all costs are covered by the redevelopment of the property
- 4) Redevelopment can be undertaken in one or more phases. Developers must submit a project plan to the authority or Board of County Commissioners outlining the costs of the project. The authority or Board can approve the plan only after holding a public hearing.
- 5) The bill allows the counties to issue special obligations bonds similar to those that could be issued by the KDFA in order to finance the project.

The bill states that neither the state nor its political subdivisions will assume responsibility for environmental remediation or associated fees which are required within the redevelopment district or for attorney fees incurred by the state as a defendant in any litigation arising regarding remediation, except for an action for the enforcement of federal laws commenced by appropriate authorities of the federal government. **[KSA 19-4901 through 19-4907]**

2003 - Statewide STAR Bond Authority

The bill amends Tax Increment Financing (TIF) laws to provide statewide authority for sales tax and revenue (STAR) bonds to be used for special bond projects of regional or statewide importance. The bill defines a special bond project as a project with at least a \$50,000,000 capital investment and \$50,000,000 in projected gross annual sales revenues. The bill includes in this definition projects located outside of metropolitan statistical areas, which have been found by the Secretary of Commerce to be in an eligible area under TIF law and of regional or statewide importance. The bill specifically excludes a project including a gambling casino from the definition of special bond project.

The governing body of a city can establish one or more projects in any area of the city that is to be funded by the special bonds. However, these projects must be approved by the Secretary of Commerce and a special bond project may not be approved by the Secretary if the required marketing study indicates a substantial negative impact on existing businesses in the projected market area or if granting the special bond project would cause a default in the payment of any outstanding STAR bonds.

The bill requires that 100 percent of local sales taxes be pledged to fund the special obligation bonds except for those amounts committed to other use by election of voters prior to the effective date of the act.

The bill requires that Kansas resident employees be given priority consideration for employment in construction projects located in a special bond project area. The bill allows the State Treasurer to place state sales tax increment moneys from taxpayers doing business with entities financed by a special bond project into the City Bond Finance Fund. The bill requires Kansas, Inc. to include an analysis of STAR bonds in that agency's annual report on the cost effectiveness of economic development tax exemptions and credits. The STAR bond authority provided for special bond projects under the bill will sunset on July 1, 2007. **[KSA 12-1780b through 12-1780d]**

2003 – STAR Bond Amendments

The bill amends statutes governing sales tax and revenue (STAR) bonds to delete the requirement that a major commercial entertainment and tourism area contain a major multi-sport athletic complex. **[KSA 12-1780b]**

2001 – Tax Increment Financing Statutes

The Legislature amends various provisions of the Tax Increment Financing (TIF) statutes. TIF was enacted in 1976 to provide a financing tool for redevelopment projects in blighted, commercial central cities. In 1992, the statutes were amended to extend this funding to enterprise zones established in prior years; conservation areas; environmentally contaminated areas; OZ project; NASCAR racetrack; the multi-sport athletic complex at Kansas City, Kansas Community College; and historic theaters.

Policy changes under this bill include:

- Starting Point for Tax Increments makes the trigger point begin from the date of the redevelopment district.
- Treatment of Changes to Property requires that if a city wishes to remove more than the de minimus (less than 15 percent of the land area), or divide the property into more than once district, a feasibility study is required. The bill also amends the law to tie the completion of the TIF project to within 20 years of approval by the city of the project plan. **[KSA 12-1780a]**

2000 - TIF for Multi-Sport Athletic Complex for KCKCC

The Legislature expands the usage of TIF to finance a multi-sport athletic complex for Kansas City Kansas Community College. Issuance of the bonds is dependent upon KDFA receiving and approving the project feasibility study. The maximum maturity of bonds issued for the project is 30 years. The bonds will be repaid by revenue captured from increased state and local sales tax collected within the project area boundaries. Issuance of bonds for projects beyond the KCKCC campus may be approved provided the governing body of the county approves the expansion, provides notice to the affected school district, publishes a notice of the proposed boundaries, and holds a public hearing. If the Unified Government adopts the resolution, any proposed use of the sales tax increment collected from taxpayers doing business within the project area, but outside the boundaries of the college campus, must first be approved by a countywide election. These bonds may not be used for projects in the previously established redevelopment district for a major tourism area which includes an auto race track facility located in Wyandotte County (NASCAR). **HB 3019**

1999 - Tax Increment Financing for Historic Theaters

The Legislature expands the application of TIF, including STAR Bond financing to buildings designated as historic theaters. The building must be owned and operated by a nonprofit corporation. Moreover, the building must be designated by the State Historical Preservation Officer as eligible to be enrolled on the Kansas Register of Historic Places or it must be a member of the Kansas Historic Theatre Association. The bill authorizes a city to designate a building as an historic theater if the city and the Secretary of Commerce & Housing agree that the building satisfies the definition of "historic theater" and will have a significant impact on the city and surrounding area. **[SB 76 Amends KSA 12-1770, 12-1771 and 12-1774]**

1998 - Tax Increment Financing

The bill causes the 20-year period allowed for the financing of a Tax Increment Financing project to be triggered by transmittal of a redevelopment plan, or revised plan, to the county in which the redevelopment district is located. Under prior law, the 20-year period was triggered by the creation of a redevelopment district. The bill authorizes the City of Topeka to adopt an ordinance to revise a previously approved but dormant redevelopment plan for an area, which includes a portion of the land under the jurisdiction of the Capital Area Plaza Authority. **[KSA 12-1776, 12-1771 and 12-1775]**

1997 - Cut-off for Redevelopment District Designation Extended

The Legislature extends the cut-off date for the establishment of redevelopment districts by cities which could require the participation of school districts in tax increment finance projects from July 1, 1996 to July 1, 1997. [KSA 72-6431]

1997 - TIF for Developers

The Legislature authorizes the use of transient guest, sales, and use tax proceeds to retire special obligation bonds issued to finance the construction of buildings or other structures to be owned by, or to be leased to, developers. [KSA 12-1773]

1996 - Tax Increment Financing amended

The tax increment finance laws are amended to:

- allow for TIF in areas where 50 percent or more of the structures in the areas are 35 years or older and are not yet blighted but may become blighted
- extend the time frame for project completion from 15 years to a maximum of 20
- allow TIF in connection with the Kansas Neighborhood Revitalization Act for a dilapidated structure located outside a designated revitalization area
- require that increases in ad valorem taxes collected by all taxing subdivisions on real property located within any currently existing or subsequently created redevelopment district be included in the increment used to retire the bonds
- permit the use of a portion or all of the increased revenue received by the city from retailers' sales tax and from franchise fees collected from utilities and other businesses using public right-of-way within the redevelopment district to secure the bonds
- permit cities and school districts to negotiate a redevelopment project in which only a portion of the school mill levy is pledged to the project
- prohibit cities from exercising eminent domain to acquire real property in conservation areas [KSA 12-1770 et seq.]

1996 - City Tax Increment Financing Revenue Fund; creation of

The City Tax Increment Financing Revenue Fund is created for the purpose of holding existing redevelopment districts harmless relative to legislative changes in the school finance formula. [KSA 12-1775a]

1994 - TIF for Environmental Remediation; expansion of

The TIF laws are expanded to permit the designation of districts where environmental contamination has occurred to include territory both within and outside a city. [KSA 12-1770 et seq.]

1991 - TIF for Environmental Remediation

The TIF laws are amended to allow governing bodies to pledge tax increments receivable in future years to pay costs directly related to the investigation and remediation of environmentally contaminated areas. In addition, a provision is added to the definition of "blighted area" to permit a TIF district to be created whenever an area has been identified as being environmentally contaminated to the extent it requires remediation. [KSA 12-1770 et seq.]

1988 - TIF; major amendments to

The TIF statutes, which provide a redevelopment tool for cities, are amended to allow cities to use TIF in blighted areas of their city. Prior law limited usage to central business districts and enterprise zones. The law was further amended to state that tax increment proceeds could be obtained from all real property in a

redevelopment district. Prior law limited the tax increment proceeds to real property within the redevelopment project area only. The amendment also extends the time frame within which a project must be completed to 15 years, and authorizes separate developmental stages. Yet another amendment allows excess tax increment proceeds from one project within a district to be used for other projects within the same district subject to the 15-year time limit. The bill creates a two-step approval process, one for the establishment of the district and the other for each project to be undertaken. The bill also clarifies and expands the purposes for which TIF could be used. **[KSA 12-1770 et seq.]**

See Also:

1998 - Kansas Rural Housing Incentive District Act, pg. 46

1997 - Commercial and Family-Oriented Lodging Areas at State Parks, pg. 107

Kansas Development Finance Authority (KDFA)

2004 - Bonds—Prototype Electrical Generation

The bill amends a statute that authorizes the KDFA to issue revenue bonds for the construction, renovation, repair and related costs of one or more facilities that generate electricity solely by the use of hydropower and which meet other statutory requirements. The amendment adds a second type of facility to those for which revenue bonds may be issued. The type of facilities added to the statute are those facilities or portions thereof that generate electricity; are a prototype for the generation of electricity and hydrogen with limited emissions; are for research in connection with related technologies; and that include a research or teaching component involving one or more postsecondary educational institutions or faculty members of such institution. Any revenue bonds issued by the KDFA are to be payable from revenues arising from the generation of electricity or from other revenues available to be pledged by the Authority. **HB 2703**

2004 - Kansas Development Finance Authority

The bill authorizes the KDFA to do the following:

- Issue bonds for profit or not-for-profit agricultural business enterprises, industrial enterprises, or any other commercial enterprises; educational institutions; or health care institutions for research facilities.
- Cooperate with out-of-state entities to issue bonds for projects located both within and outside of the state. The bill limits the financing of multi-state projects to those which have a benefit to Kansas or those in which the owner/operator of a business has a presence in Kansas.
- Issue bonds for county hospitals which may be financed with general obligation bonds. Prior law did not provide for this issuance. **SB 480**

2003 - Income Tax Withholding Bonds

The bill enacts the Economic Development Revitalization and Reinvestment Act. The bill provides for the KDFA to issue bonds of up to \$500 million plus certain bonding expenses for a project involving research, development, engineering, or manufacturing for an eligible business engaged in manufacturing. The interest on these bonds will be paid, in whole or in part, by income tax withholding moneys collected by the eligible business from employees involved in the eligible project.

To be eligible for these bonds the applicant must meet certain conditions imposed by the Secretary of Commerce. These may include have a \$600 million payroll during the eligibility period, having paid an average compensation of \$50,000 per employee over the period, invested at least \$1 billion in Kansas property, and be classified as being in the manufacturing sector using the North American Industrial Classification System.

Only projects that are related to research, development, engineering or manufacturing are eligible for these bonds. The projects must also meet the conditions of being undertaken by eligible businesses to develop a new business component or product, proposed to invest \$500 million in Kansas in direct connection with the project, and proposed to employ 4,000 full-time people in Kansas for the project.

If the project is approved, then the Secretary of Commerce enters into an agreement for the bond that is subject to review and approval by the State Finance Council. Also, the KDFA can issue bonds with a maturity of up to 20, and possibly 30 years with approval from the Secretary of Commerce in order to finance the eligible project. The bill also creates the Special Economic Revitalization Fund which is credited with income tax withholding revenues by the State Treasurer. These moneys are then distributed from this fund to the KDFA.

Under the bill, the eligible business is not allowed to participate in the IMPACT program with respect to the eligible project. The bill goes on to provide that the Secretary of Commerce may include provisions in the agreement to limit or reduce the amount of eligible income tax credits, including job expansion and investment tax credits, research and development tax credits, and business machinery and equipment tax credits. However, the bill does not prohibit the eligible business from receiving tax credits for investments which are unrelated to the bonds.

The bill prohibits the use of bond proceeds to increase financial benefits for the chief executive officer, chief financial officer, or any officers of the eligible business. The bill imposes a sunset of July 1, 2005, after which time no new eligible project may be approved for income tax withholding bonds. The bill requires Kansas, Inc. to include an analysis of the incentive provided by the bill in that agency's annual report on the cost effectiveness of economic development tax exemptions and credits. The bill also reduces the number of questionnaires sent out relative to the Kansas, Inc. report such that only those taxpayers utilizing the tax incentives described in the report will receive a questionnaire. The bill makes the hiring and use of employees from whom the income tax withholding is collected subject to post audit under the Legislative Post Audit Act. All audit expenses incurred will be paid by the eligible business. [KSA 74-50,136]

2002 – Bond Authorization for Tire Manufacturers

This bill authorizes KDFA to issue up to \$10 million in bonds qualified to tire manufacturing businesses meeting certain criteria and contracting with the Department of Commerce and Housing. Bonds would be issued equal to \$1 for every \$5 pledged to be invested by the qualified business, and the proceeds would be used to acquire or improve real or personal property in Kansas for modernization and retooling of the contracting business. The bonds would be paid with up to 75 percent of moneys collected by the contracting business for withholding of employee individual income taxes. [KSA 74-8942 through 74-8945]

2001 – Improvement District Revenue Bonds

The Legislature allows improvement districts to issue revenue bonds with a 40-year maturity that are sold to the United States government or any of its agencies. **HB 2185**

1998 - Restriction with regard to Swine Production Facilities

The bill amends the Kansas Corporate Farming Law to, among other things, prohibit the KDFA from issuing bonds for swine production facilities on agricultural land owned, acquired, obtained, or leased by a corporation, limited liability company, limited partnership, corporate partnership, or trust. [KSA 74-8902]

1997 - Kansas Development Finance Authority Board Composition

The Legislature changes the composition of the KDFA's Board of Directors by eliminating the Secretary of Commerce & Housing as a member. The KDFA Board consists of five members appointed by the Governor, with at least three members being voting members of the general public with not more than three voting members of the same political party. [KSA 74-8903]

1996 - Notification Requirements for Bonds Issued

The KDFA's statute was amended in 1996 to require the agency to publish notification of bond issuance 14 days prior to any bond hearing in the official county newspaper where the bonds are to be used and in the Kansas Register. [KSA 74-8905]

1987 - Kansas Development Finance Authority; creation of

This agency is responsible for providing debt financing for state agencies, political subdivisions, public and private not-for-profit organizations, and private businesses through their authority to issue bonds and other various debt instruments subject to certain restrictions. [KSA 74-8901 et seq.]

See Also:

Generally - Comprehensive Transportation Program, pg. 39

Generally - Kansas Basic Enterprise Loan Program (KBEL), below

Generally - Tax Increment Financing (TIF), pg. 13

Generally - Attraction Development, pg. 103

Kansas Basic Enterprise Loan Program (KBEL)

1995 - Kansas Basic Enterprise Loan Program (KBEL); repeal of

The Legislature passes this bill which repealed the KBEL statutes. SB 11

1994 - Kansas Basic Enterprise Loan Program (KBEL) amended

The amendment passed authorizes the KDFA to target preference among agricultural business applicants for swine production facilities and marketing pools for KBEL resources. [KSA 74-8905(f)(1) now repealed]

1993 - Kansas Basic Enterprise Loan Program (KBEL) amended

The KBEL statute is amended to remove the requirement that loans made by financial institutions to match program loans be classified as subordinated loans. Such classification gave the impression that the loans were high risk and therefore discouraged financial institutions from participating in the program. [KSA 74-8905(f)(1) now repealed]

1989 - Kansas Basic Enterprise Loan Program (KBEL); creation of

This program is intended to provide loans between \$20,000 and \$200,000 to qualified Kansas businesses. The KDFA is responsible for developing the program and administering the fund which was to be used to leverage bonds to finance the program. An amount of \$1 million was appropriated to KDFA from the EDIF to establish a loan guaranty fund, but this appropriation was eliminated during the 1990 Legislature. [KSA 74-8905(f)(1) now repealed]

Other Business Finance Issues

2003 - Authorizing Joint Ventures for County and District Hospitals

The bill amends two acts that concern the organization and operation of public hospitals created either as county hospitals or district hospitals. The amendments authorize county and district hospital boards of directors to enter into joint ventures with one or more public or private entities to provide health care

services.

The definition of "hospital" in the county and district hospital statutes is amended by the bill to include within the definition, joint enterprises for the provision of health care services. A new definition of "joint enterprises" is added to each act and means a business undertaking by a hospital and one or more public or private entities for the provision of health care services. In both acts, the statute that sets out the manner in which "hospital moneys" are to be handled is also amended to add a sentence stating hospital moneys may be invested in joint enterprises for the provision of health care services as permitted by the amended definition of "hospital." **SB 151**

2002 - Interest on Municipal Bonds

The bill amends the municipal bond law regarding the maximum interest rates that may be set on fixed rate or variable rate bonds by changing the index used to determine the rate and by raising the maximum interest rate permitted based upon the new index. The bill changes the interest rate index from the daily yield for 30-year to the 10-year treasury bonds published by The Bond Buyer in New York. Further, the percent or rate permitted above the index is changed from 2 percent to 3 percent. A new provision is added allowing 4 percent if the interest on the bonds is subject to federal income tax. **HB 2947**

2001 – Income Tax Credit for Business Research and Development

The bill provides a permanent income tax credit for business research and development. It authorizes a 6.5 percent credit for research and development expenditures in Kansas, which is based on the amount by which such expenditures exceed the business' actual expenditures for that purpose in the taxable year and the two preceding taxable years. In any taxable year, the maximum deduction from tax liability is 25 percent of earned credit plus carryover amounts. Any amount by which the allowed portion of the credit exceeds the business' total Kansas tax liability in a given tax year can be carried forward.

Any expenditures that are eligible for a Kansas research and development tax credit are also eligible for a federal itemized income tax deduction or, for an expanded level of research activity, a federal research tax credit. However, if the business receives a federal or state grant and uses grant proceeds for research and development expenditures, that taxpayer cannot claim a state credit for those expenditures. **[KSA 79-32,182b]**

2001 – Income Tax Credit—Historic Preservation

The Legislature provides for state income tax credits equal to 25 percent of qualified expenditures incurred in the restoration and preservation of a qualified historic structure pursuant to a qualified rehabilitation plan. All expenditures of \$5,000 or more under such plans will qualify for the tax credit. The credits are non-refundable, but any unused portions may be carried forward for up to ten years. **[KSA 79-32,211]**

1997- Special Obligation Bonds; Usage Expanded

The Legislature authorizes the use of proceeds of special obligation bonds for construction of buildings to be owned by, or to be leased to, developers. Such construction projects must occur within redevelopment districts that will include some or all of the land and buildings of Topeka State Hospital and Winfield State Hospital. Prior to these amendments, proceeds from the sale of special obligation bonds could only be used for: property acquisition, relocation assistance payments, site preparation, specified infrastructure improvements, and all related redevelopment project expenditures. **[KSA 12-1773]**

1995 - Micro Loan Program

The Legislature appropriates funds for a statewide micro loan program to benefit companies seeking loans from \$500 to \$25,000. The loan pools were to be administered locally by regional entities designated by

the Kansas Department of Commerce & Housing. [FY 1996 Appropriations Bill]

1995 - Small Business Innovation Research (SBIR) Bridge Financing Fund; establishment

The bill authorizes Kansas Technology Enterprise Corporation (KTEC) to establish an SBIR bridge financing fund. This fund provides grants, loans, royalty, or equity investment to firms which have received SBIR "Phase I" moneys, have applied for and are expected to receive "Phase II" moneys, but who in the meantime need funds to span the gap between the two allocations. Although the authority for this fund was created, no appropriations for the fund were made. [KSA 74-8108]

1988 - Private Activity Bond Allocation

The Legislature authorizes the allocation of tax exempt private activity bonds by the then Kansas Department of Commerce in 1988. These bonds, which are exempt from federal taxation, include industrial revenue bonds, mortgage revenue bonds, and student loan bonds. [KSA 74-5058 et seq.]

1986 - Certified Development Companies Performance Grants

Certified Development Companies (CDC's) assist Kansas businesses in meeting their capital needs by acting as a one-stop clearinghouse for information on financing sources and by offering loan packaging assistance at below market fees. In 1986, the Legislature recognized the need to help support CDC's throughout the state and directed the Existing Industry Division (now the Division of Business Development) of the then Kansas Department of Commerce to provide funding to CDC's on the basis of their individual performance serving Kansas businesses. [KSA 74-5007a]

See Also:

1988 - Partnership Fund; creation of, pg. 51

Generally - Chapter 7, International Trade Development, pg. 53

Chapter 3

Community Development

Kansas Community Services Program Act

1999 - Kansas Community Service Program Act; amended

The Tax Reform and Relief Act of 1999 makes a number of amendments to the Community Services Tax Credit Program, including the removal of the requirement that qualified crime prevention activities be in an impoverished area. The definition of "contribution" was expanded to include property or services as well as cash, and valuation guidelines are established for certain contributions. The bill also authorizes community service tax credits to be carried forward until the total amount of the credit is used, and made the credits refundable. New language further authorizes the credits received by non-Kansas taxpayers to be sold or transferred to other taxpayers. Limitations on transferability include a requirement that the community service credit be transferred in its entirety and that such transfer only occur once. Taxpayers who buy or are otherwise assigned a community service tax credit from the original recipient may carry forward unused credit amounts for up to five years. However, all carryforward amounts must be claimed within ten years following the tax year in which the contribution is made. (Community service tax credits that have been sold or otherwise assigned are not refundable.) [SB 45 Amends KSA 79-32,195 et seq.]

1998 - Credits Authorized Against Premium Tax and Privilege Fees

The Legislature authorizes any insurance company making community service contributions during the first six months of 1998 to claim a tax credit for contributions made under the Kansas Community Services Program against premium tax and privilege fees against its 1997 tax liability, provided that no more than one credit is claimed for the same contribution. [KSA 79-32,195 et seq.]

1998 - Kansas Community Services Program Act, amended

The Community Services Program Act is amended to delete reference to the Blueprint for Investment in Kansas Children and Families in the definition of "community services." [KSA 79-32,195 et seq.]

1994 - Kansas Community Services Program Act

The Kansas Community Services Program Act authorizes income tax credits for businesses that make contributions to community service organizations, or government entities which engage in activities that meet a demonstrated community need (as provided for in the statute) and have been approved by local planning councils. Credits granted a contributor cannot exceed 50 percent of the amount contributed to a community service organization, or 70 percent of the amount contributed to a rural community service organization. The Community Development Division of the Kansas Department of Commerce & Housing administers this program and determines the eligibility of community service organizations through an application process. [KSA 79-32,195 et seq.]

Community Strategic Planning Program

1996 - Community Strategic Planning Action Grants; extension of

The Community Strategic Planning Assistance Act is amended by changing the expiration date for the award of strategic planning action grants from July 1, 1996 to July 1, 1997. [KSA 17-50,100 now repealed]

1994 - Community Strategic Planning Grants Program Broadened to Include Metropolitan Counties

The Community Strategic Planning Assistance Program is amended to allow for planning grants to

community/neighborhood organizations in metropolitan counties. The Legislature appropriates \$200,000 for planning grants to be used to address the needs of blighted areas in selected metropolitan communities and mandated that Kansas, Inc. evaluate the results of the metropolitan grants program two years after the last grant was made. **[KSA 74-5093 et seq. now repealed]**

1993 - Community Strategic Planning Grants Program; grant size adjustments

The Legislature makes a number of slight changes to the program, including:

- lowering grant amounts for single county applicants and providing for larger awards for joint or multi-county applications
- changing provisions regarding contractual agreements with service providers
- requiring recipients to conduct assessments of their performance under the program
- requiring KDOC&H to submit an annual report to the Joint Committee on Economic Development
- extending the program from July 1, 1993 to July 1, 1996 **[KSA 74-5097 et seq. now repealed]**

1990 - Community Strategic Planning Grants Program

This program provides grants to county or multi-county organizations for the development of community strategic plans and action grants to implement the plans. This program was recommended in Kansas, Inc.'s Rural Development Action Plan that was presented to the Joint Committee on Economic Development in August, 1989. The Legislature also mandates that Kansas, Inc. evaluate the results of the program two years after the last grant was made. **[KSA 74-5097 et seq. now repealed]**

Other Community Development Issues

1995 - Main Street Development Grants

The legislature appropriates \$200,000 to provide low-interest loans to retail and professional service businesses in conjunction with the Department of Commerce & Housing's Kansas Main Street Program. Loan proceeds can be used for purchasing inventory or buildings, renovating building facades, or as working capital. The Department of Commerce & Housing administers this program. **[FY 1996 Appropriations Bill]**

1994 - Neighborhood Revitalization Act

The Legislature authorizes any municipality covered by the cash basis law to designate areas within its boundaries as neighborhood revitalization areas and to provide rebates to taxpayers in the amount of the incremental increases in property taxes resulting from improvements made to that property. The law also authorizes not-for-profit corporations to gain temporary possession of abandoned property for the purposes of renovation and ultimate occupation by low-to-moderate income tenants. **[KSA 12-17,1114 et seq. now repealed]**

See Also:

Generally – Chapter 14, Economic Growth Act of 2004, pg. 109

Chapter 4

Economic Development Funding

Economic Development Initiative Fund (EDIF)

2001 – Kansas Lottery

The Legislature extends the Kansas Lottery until July 1, 2008. The bill requires that a security audit of the Kansas Lottery be conducted at least once every three years and places responsibility for these security audits under the Legislative Post Audit Act. **HB 2038**

1994 - Economic Development Initiative Fund (EDIF); change in allocation

The bill authorizes the transfer of an additional 5 percent of the State Gaming Revenue Fund to the Juvenile Detention Facilities Fund and correspondingly reduced transfers from the State Gaming Fund to the Economic Development Initiative Fund (EDIF) by the same percentage. This action brought the EDIF's share of gaming revenues down from 90 percent to 85 percent, or approximately \$42.5 million, beginning July 1, 1995. **[KSA 79-4803 et seq.]**

1988 - Economic Development Initiative Fund (EDIF); County Reappraisal Fund

This amendment extends the provision of funds to the County Reappraisal Fund for one year, or until July 1, 1990. **[KSA 79-4801 et seq.]**

1988 - Economic Development Initiative Fund (EDIF); appropriations criteria

The Legislature adopts HCR 5033, which endorsed Kansas, Inc.'s recommendations on the use of EDIF monies. Kansas, Inc. presented three recommendations:

- that no salaries should be funded by the EDIF
- that EDIF should not replace the State General Fund
- any initiative should be strictly related to economic development **[HCR 5033, 1988 Session Laws]**

1986 - Economic Development Initiative Fund (EDIF); State Gaming Revenues

The Legislature creates the State Gaming Revenues Fund (SGRF) to which lottery and pari-mutuel wagering proceeds are credited. It also creates the Economic Development Initiative Fund (EDIF) as a component of the State Gaming Revenue Fund and directed that 60 percent of all revenues from the SGRF be transferred to the EDIF until July 1, 1989. An additional 30 percent is to be transferred to the County Reappraisal Fund (CRF) until July 1, 1989. The remaining 10 percent is to be transferred to the Juvenile Detention Facilities Fund/Correctional Institutions Building Fund (JDFF/CIBF). As of July 1, 1989, the transfer of funds to the CRF was to terminate, thus resulting in transfers of 90 percent of the Gaming Revenues Fund to the EDIF. The remaining 10 percent was to continue to be credited to the JDFF/CIBF. **[KSA 79-4801 et seq.]**

Gaming

1995 - State Lottery; additional six-year extension

The bill authorizes the continuation of the Kansas Lottery until July 1, 2002, and implemented pull-tab instant bingo game regulations as a result of the April 4, 1995 approval of a state constitutional amendment authorizing instant bingo games. **[KSA 74-8701 et seq.]**

1992 - State Lottery; additional four-year extension

The Legislature authorizes the continued operation of the Kansas Lottery until July 1, 1996. **[KSA 74-8701 et seq.]**

1990 - State Lottery; two-year extension

The Legislature authorizes the continued operation of the Kansas Lottery for another two years, or until July 1, 1992. [SCR 1646, 1990 Session Laws]

1986 - State Lottery

Kansans approved a constitutional amendment to permit the Legislature to provide for a state-owned and operated lottery. That authorization is to expire June 30, 1990. [KSA 74-8701 et seq.]

1986 - Kansas Lottery and Racing Commission

As a result of the constitutional amendment allowing pari-mutuel wagering, the Legislature establishes the Kansas Lottery Commission and the Kansas Racing Commission. These organizations are responsible for the administration and organization of the state lottery and pari-mutuel racing. [KSA 74-8709 and 74-8803]

Other Gaming Issues

1995 - Indian Reservation Casinos

Legislators approve compacts with the Prairie Band Pottawatomie and Iowa tribes for establishment of on-reservation gaming casinos. The compacts provide for Class III gaming including card games, dice games, roulette, baccarat, wheel of fortune, keno and electronic gaming similar to that authorized for the Kansas Lottery. [SR 1865 and HR 6014]

1986 - Pari-mutuel Wagering

As a result of a constitutional amendment approved by Kansans in 1986, the Legislature is authorized to permit, regulate, license, and tax the operation of horse and dog racing and pari-mutuel wagering. [KSA 74-8801 et seq.]

Chapter 5

Education

Higher Education Reform

2000 - Higher Education Coordination Act Amendments

The Kansas Higher Education Coordination Act works to, among other things, continue the community college vocational education fund, scheduled for elimination on June 30, 2000; delete the requirement that an area vocational-technical school secure approval of the State Board of Regents before constructing or acquiring buildings or land; alter the definition of "adult supplementary education program"; and repeal the statutes requiring the State Board of Regents to develop a State Plan for Community Colleges and statutes that establish the Advisory Council of Community Colleges. **SB 657**

2000 - Community College Operating Grant Formula Modification

The Legislature modifies the distribution formula for state community college operating grants under the Higher Education Coordination Act. The changes to the formula include determining a grand total for community college funding based on the total number of FTE students and allocating the grants based on each institution's percentage of previous year state funding, instead of determining state funding on an institution-by-institution basis, and by factoring in a funding adjustment phased in over four years equivalent to an increase in vocational funding from 1 to 1.75 times the regular credit hour rate for the 14 schools not currently receiving vocational funding at the rate of 2 times the regular credit hour rate. **HB 2996**

1999 - Kansas Higher Education Coordination Act

The Legislature abolishes the present State Board of Regents and created a new State Board of Regents. Effective July 1, 1999, the supervision of community colleges, area vocational schools, and technical colleges is transferred from the State Board of Education to the State Board of Regents. The Board's authority to govern the Regents institutions remains the same. Also transferred is the administration of adult basic and adult supplementary education programs and regulation of proprietary schools. The new duties assumed by the State Board of Regents include the coordination of all of postsecondary education, including Washburn University and the private colleges and universities. The existing Board of Regents was abolished upon publication in the Kansas Register.

A new nine-member Board of Regents is created with the members and a designated chair being appointed by the Governor with subsequent chairs being elected by the Board. Community colleges, Washburn University, area vocational schools, and technical colleges continue to have local governing boards. A coordinating component is added to the State Board of Regents that gave the Board the ability to do statewide planning and to develop a statewide database encompassing all of postsecondary education, including Washburn University and the private colleges and universities. The Board is required to conduct an analysis of the community college and Washburn University funding mechanisms implemented by the bill, particularly with regard to issues of equity of financial support within and between postsecondary education sectors, and make a report of its findings and recommendations to the Governor and the Legislative Educational Planning Committee by December 1, 1999.

Commissions. The State Board of Regents is subdivided into three three-member advisory commissions: one for community colleges, area vocational schools, and technical colleges, one for Regents institutions, and one for higher education coordination. Each member of the Board is assigned to one of the commissions. The commissions are advisory to the Board of Regents, which is the policymaking body. After July 1, 2002, only one representative of any one Kansas postsecondary institution (Regents

institution, community college, technical college, or area vocational school) can serve on a commission. A "representative" is a person who holds a certificate of completion, an associate degree, or a bachelor's degree from the institution.

Performance Funding. The bill implements performance funding in FY 2003, based on performance indicators selected and approved by the Board of Regents for each institution. An institution could receive a performance funding grant of up to 2 percent of its State General Fund appropriation the prior year. In the case of technical colleges and area vocational schools performance grants would be based on total funding for the postsecondary state aid program the prior year.

Community College Operating Grants and Mill Levy Reduction. Beginning in FY 2001, community college funding will be on the basis of operating grants equal to 50 percent of the appropriation from the State General Fund for a full-time equivalent (FTE) lower-division student at the regional Regents institutions (Emporia, Fort Hays, and Pittsburg) multiplied by the higher of the community college's FTE enrollment the current or prior year. The credit hour, outdistrict, and general state aid programs was eliminated. A hold-harmless provision was put into place to ensure that no community college received less in FY 2001 than in FY 2000. The operating grants will increase by 5 percentage points each year until FY 2004, when the grants will equal 65 percent of the State General Fund appropriation per lower-division student at the regional Regents universities. County out-district tuition will be phased out in even increments of 25 percent over the four-year period beginning in FY 2001 and ending in FY 2004. State aid will replace the lost revenue and will be included within the operating grant for each community college. Beginning in FY 2001, community colleges will have to use at least 80 percent of increased state aid, minus state aid replacement for lost out-district tuition, to reduce their mill levies. Provisions were also put in place to fund Washburn University, Regents faculty salary increases, and for Legislative monitoring of the new coordinating system. **[SB 345 Creates new law and Amends numerous existing laws]**

Skill/Impact/KIT/KIR

2002 - IMPACT Program Enhancements

The bill increases the statutory maximum on the percentage rate of individual income withholding taxes credited to funds within the Department of Commerce and Housing and used for debt service on bonds for the Investments in Major Projects and Comprehensive Training (IMPACT) Program. The bonds are issued to fund grants for training expenses for companies relocating to or expanding in Kansas. The prior statutory maximum rate was percent of individual income withholding taxes and was credited to funds for payment of the debt service. The bill increases that maximum to 1.5 percent in Fiscal Year 2004 and to 2 percent in Fiscal Year 2006. The bill also adjusts the eligibility requirements for participation in the IMPACT program. Previously, companies were required to maintain a minimum of 1,000 retained jobs and make a minimum capital investment of \$250 million. It also lowers those minimums to 250 retained jobs and \$50 million in capital investment. **SB 565**

2000 - Expansion of IMPACT to Include Retraining of Existing Employees

The Legislature amends the statutes governing the IMPACT program to allow for the retraining of existing employees. The amendment allows a business to qualify for the IMPACT program if it had a job retention and retraining project with more than 1,000 employees and more than \$250 million in capital investments. Projects will be funded through the diversion of a portion of the withholding taxes of the existing jobs. The bill also requires that notice of the approval of a project under the IMPACT program be provided to the chairs of the Senate Commerce Committee and House Committee on Economic Development. **HB 2929**

1999 - Amended Definition of Job Training Agency for KIT and KIR Eligibility

The KIT/KIR statutes are amended to include apprenticeship programs registered through the Kansas Apprenticeship Council and recognized by the U. S. Department of labor, Bureau of Apprenticeship Training as programs eligible to receive KIT/KIR grants for the purposes of training and retraining. [HB 2380 Amends KSA 74-5065]

1998 - Restrictions on KIT and KIR funding

The bill amends the Kansas Corporate Farming Law to prohibit the Secretary of Commerce & Housing from using Kansas Industrial Training Program or the Kansas Industrial Retraining Program funds for the training or retraining of employees who are employed by a "swine production facility" on "agricultural land" which is owned, acquired, obtained, or leased by a "corporation," "limited liability company," "limited partnership," "corporate partnership," or "trust," as defined by the Kansas Corporate Farming Law. [KSA 74-5065 and 74-5066]

1996 - Kansas Investment in Major Projects and Comprehensive Training Act (IMPACT)

The Legislature renames the State of Kansas Investments in State of Kansas Lifelong Learning Act (SKILL) as the Kansas Investments in Major Projects and Comprehensive Training (IMPACT) Act. The Legislature also modifies the program to allow funds to be expended for "major project investment," to an employer to defray business costs including, but not limited to, relocation expenses, building and equipment purchases, labor recruitment, and other expenses. Expenditures for employee education and training-related purposes, authorized under the existing SKILL program continued to be authorized under this bill. No more than 10 percent of the amount equal to the rate of 1 percent applied to wages withheld in the state may be used for IMPACT purposes in any given fiscal year. [KSA 74-50,102 et seq.]

1991 - State of Kansas Investment in Lifelong Learning Act (SKILL); creation of

The State of Kansas Investments in Lifelong Learning Act (SKILL) is financed through the sale of public purpose bonds issued by the Kansas Development Finance Authority and repaid through the diversion of withholding and estimated taxes attributable exclusively to new employment. Eligible projects may include new jobs training and training development costs, adult basic education and job-related instruction, vocational and skill-assessment services and testing, training equipment, materials, and supplies, administrative expenses, and professional services subcontracted by the educational institution. [KSA 74-50,102]

1988 - Kansas Industrial Training and Retraining Programs (KIT/KIR); statutory authority

Administered by the Department of Commerce, these programs provide funds to either expanding or newly located businesses for the training of new or existing employees. Funding has been appropriated for both of these programs since 1973, but they were only statutorily authorized during the 1988 Session. [KSA 74-5065 et seq.]

Other Workforce Training Programs

2002 - Workforce Development Loan Program

The bill establishes the Workforce Development Loan Program which provides forgivable loans to Kansas residents to attend an area vocational technical school, technical college, community college or vocational school coordinated under the state Board of Regents or any program of study which leads to an associates degree at a Board of Regents institution. The loans will be forgiven by living and working in Kansas in a field using the skills attained under the course of instruction for which the loan was received, at the rate of 1/4 of the total loan principal and interest in the first three years and the remainder in the fourth year. Persons who fail to meet the loan's service commitment are required to repay the loan plus interest computed at a rate equal to the interest rate received on state idle funds plus 3 percent.

The Board of Regents may establish a list of possible programs that an applicant must enroll in, but the Board must consult with the Department of Human Resources, Department of Social and Rehabilitation Services (SRS) and the Department of Commerce and Housing before creating such a list. Preference for the loans will be given to those who have the greatest financial need, with even higher priority to those who were in foster care upon their high school graduation or completion of GED.

The bill requires the Department of Human Resources to make an annual transfer of \$500,000 from the United States Department of Labor Workforce Investment Act as well as an equal amount from SRS federal funds. The bill also allows the Board to accept private donations. **[KSA 74,32-151 through 74-32,161]**

1998 - Neighborhood Improvement and Youth Employment Act; Amendment of

The Neighborhood Improvement and Youth Employment Act are amended to:

- delete the provision which required at least one grant recipient to be located in each congressional district in the state
- authorize businesses to offer eligible teenage students work under the program other than the community-related activity required of other eligible employers (local governmental units, nonprofit private organizations, and native American Indian tribes); this amendment increased a business' flexibility in the type of work that may be offered
- make students enrolled in any type of school eligible for program participation, provided that such students are of legal age to be employed (at least 14 years old); under prior law, program participation was conditioned upon secondary school attendance
- eliminate the expiration date of July 1, 1998, which had governed the Act
- require annual reports to be submitted to the House Economic Development Committee and Senate Commerce Committee **[KSA 44-1402]**

1996 - Vocational Education Instructional Equipment Aid; transfer of administration

The Legislature amends the statutes concerning vocational education instructional equipment aid by transferring responsibility of determining and distributing equipment grants from the Board of the Kansas Technology Enterprise Corporation (KTEC) to the Secretary of Commerce & Housing. **[KSA 72-4436]**

1994 - Labor Education Center Act; creation of

The Legislature creates the Kansas Labor Education Center which is associated with the Institute for Social and Behavioral Research at Kansas State University (KSU). The center is directed to cooperate with existing state agencies, institutions under the State Board of Regents, community colleges, area vocational-technical schools and private organizations to provide education and develop basic and applied research on workplace issues. The functions of the center include, but are not limited to, providing extension education to employees, labor organizations, human resources managers and employers in such areas as occupational safety and health, workers' and unemployment compensation insurance, employee assistance, including substance abuse programs, grievance handling, arbitration techniques, drug testing, and affirmative action policies. **[KSA 76-496 et seq. expired July 1, 1998]**

1992 - Apprenticeship Council; creation of

The Legislature creates the Kansas Apprenticeship Council within the Department of Human Resources. This nine-member Council is composed of four representatives of labor and four representatives of management. All members are appointed by the Secretary of Human Resources, who serves as the ninth member. The Council functions in an advisory capacity to the Secretary of Human Resources. **[KSA 44-661]**

1992 - Volunteer Adult Literacy Organization Grant Program; creation of

This program provides grants to volunteer adult literacy organizations to assist in the development and implementation of new adult literacy programs and to provide funding for materials and resources for existing programs. Recipient organizations are required to provide a \$1/\$3 local/state match. The program is administered by the State Librarian and expires July 1, 1996. [KSA 75-2569 et seq.]

1991 - Kansas Technology Innovation and Internship Program; creation of

This Senate Bill establishes the Kansas Technology Innovation and Internship program and provides for grants to vocational education institutions. These grants are to be used for startup support for innovative technical courses or programs in emerging technologies, manufacturing, or areas of skills shortages, or for faculty development. [KSA 72-4467]

1987 - Kansas Training Information Program (TIP); creation of

TIP, administered by the Board of Education and recommended by the Legislative Commission on Economic Development, is created to provide information regarding the employment placement rates and average salaries earned by students who had graduated from a vocational/technical education program in Kansas. [KSA 72-4450 et seq.]

*Community Colleges, Avts's, and Technical Colleges***2004 – Distribution of Postsecondary Aid for Technical Schools**

The bill amends statutes governing the distribution of postsecondary aid for technical schools to require equal distributions of aid on August 1 and January 1. Under prior law, 50.0 percent of the funding was distributed on November 1; 30.0 percent on March 1; and 20.0 percent on May 1.

2004 – Powers and Duties of Technical College Governing Boards

The bill amends statutes relating to the establishment of separate governing boards for technical colleges. The bill expands the powers and duties of those governing bodies to include:

- Having custody of the property of the college and being responsible for operation and management of the college;
- Selecting a chair and officers of the governing body;
- Suing and being sued;
- Setting the compensation of a president or chief administrative officer of the college;
- Establishing qualifications, duties, compensation, and other conditions of employment;
- Entering into contracts;
- Accepting gifts, grants, and donations;
- Acquiring and disposing of real or personal property;
- Entering into lease agreements;
- Adopting rules and regulations necessary for administration of the college;
- Contracting for provision of academic or vocational education for the students of the college;
- Appointing either the president of the college or the chairperson of the governing board as resident agent for the purpose of service of process; and
- Taking other legal actions.

2000 - Technical College Designation

The Legislature authorizes the Northeast Kansas Area Technical School to be designated as the Northeast Kansas Technical College. [HB 2622]

1998 - Technology Equipment for Community Colleges, and AVTS's

The Legislature appropriates for FY 1999 from the State Budget Stabilization Fund \$2.0 million for community colleges and Washburn University, and \$1.0 million for area vocational-technical schools for technology equipment for instructional purposes. The same bill appropriates \$10.0 million for school districts. **[FY 1999 Appropriations Bill]**

1997 - Community Colleges State Aid for Nonresident Enrollments

In Legislature approves the payment of credit hour, outdistrict, and general state aid for the following classes of persons who may be determined by the State Board of Education to be Kansas residents for such purpose:

- persons who are in active military service of the United States
- persons who are domiciliary residents of the state, who were in active military service prior to becoming domiciliary residents of the state, who were present in the state for a period of not less than two years during their tenure in active military service, whose domiciliary residence was established in the state within 30 days of discharge or retirement from active military service under honorable conditions, but whose domiciliary residence was not timely enough established to meet the residence duration requirement of KSA 71-406
- persons who are employees of a community college
- persons who have special domestic relations circumstances
- persons who have lost their resident status within six months of enrollment
- persons who are not domiciliary residents of the state, who have graduated from a high school accredited by the State Board of Education within six months of enrollment at a community college, who were domiciliary residents of the state at the time of graduation from high school or within 12 months prior to graduation from high school, and who are entitled to admission at a state educational institution pursuant to KSA 72-116
- persons who are domiciliary residents of Kansas, whose domiciliary residence was established in the state for the purpose of accepting, upon recruitment by an employer, or retaining, upon transfer required by an employer, a position of full-time employment at a place of employment in Kansas, but the domiciliary residence of whom was not timely enough established to meet the residence duration requirement of KSA 71-406. **[KSA 71-401, 71-406, 71-602 et seq., 71-607, 71-619]**

1997 - Bonded Indebtedness Limit Extended

The Legislature amends current law to allow community colleges to exceed their bonded indebtedness limitations to the extent that general obligation bonded indebtedness already had been approved by voters prior to the effective date of the bill. **[KSA 79-5039]**

1996 - Technical College Designation

The Legislature authorizes the Manhattan Area Vocational-Technical School to be designated as the Manhattan Technical College. **[KSA 72-4475]**

1996 - Technical College Designation

The Legislature authorizes the North Central Kansas Area Vocational-Technical School to be designated as the North Central Kansas Technical College. **[KSA 72-4474]**

1995 - Technical College Designation

The Legislature authorizes the Flint Hills Area Vocational-Technical School to be designated as the Flint Hills Technical College. **[KSA 72-4473]**

1994 - Establishment of Technical Colleges

The Legislature amends the current statute to allow area vocational-technical schools to become colleges of technology after meeting certain standards. This initiative was part of Kansas, Inc.'s support of the restructuring of the vocational education system in Kansas and the consolidation of 32 schools into a statewide system of colleges of technology. [KSA 72-4468 et seq.]

1993 - Task Force on Funding of Community Colleges and Kansas Post-Secondary Vocational and Technical Training System

This 12-member task force is charged to perform a comprehensive study and analysis of the funding of community colleges and the Kansas post-secondary vocational and technical training system with special emphasis on community colleges, area vocational schools, and area vocational-technical schools. The task force is directed to present a final report to the Legislature no later than January 10, 1994. Legislation creating the task force expires on January 15, 1994. [KSA 71-1511 and 71-1512 expired Jan. 15, 1994]

1992 - Consolidation of Vocational Schools and Community Colleges

The Legislature provides a method to accommodate voluntary consolidations of area vocational- technical schools (AVTSS) and community colleges. Several counties in the state that have both an AVTS and community college are authorized to merge their operations. As an incentive to merge, community colleges that consolidate receive state aid at the multiple of two times the academic credit hour rate for enrollments in all vocational programs. [KSA 71-1701 et seq.]

See Also:

1999 - Kansas Higher Education Coordination Act, pg. 26

Base State Aid Per Pupil (BSAPP)

2004 – BSAPP

The BSAPP is funded at the allotment-level rate of \$3,863, which is \$27 less than the statutory rate of \$3,890.

2003 – BSAPP

The amount approved for general and supplemental general state aid in FY 2004 (\$1.936 billion) would maintain BSAPP at the allotment-level rate of \$3,863, which is \$27 less than the statutory rate.

2002 – Increase in BSAPP

The bill increases BSAPP by \$20, from \$3,870 to \$3,890, commencing in school year 2002-03 and thereafter. [KSA 72-6410]

2001 - Increase in BSAPP

The bill sets the BSAPP at \$3,870 (increased of \$50 over 2000-01) for the 2001-02 year, and thereafter. [KSA 72-6410]

1999 - Increase in BSAPP

The bill increases the BSAPP by \$50 - from \$3,720 to \$3,770 for the 1999-2000 school year and by \$50, to \$3,820 for the 2000-01 school year. [KSA 72-6410]

1997 - Increase in BSAPP

BSAPP is increased by \$22 from \$3,648 to \$3,670 beginning in the 1997-98 school year. [KSA 72-6410]

1996 - Increase in BSAPP

BSAPP is increased by \$22 from \$3,626 to \$3,648 beginning in the 1996-97 school year. [KSA 72-6410]

1995 - Increase in BSAPP

BSAPP is increased by \$26 from \$3,600 to \$3,626 beginning in the 1995-96 school year. [KSA 72-6410]

1992 - Establishment of BSAPP Funding

The school finance act passed by the Legislature changes the formula by which school districts are funded. Under the new formula, districts receive a base amount of \$3,600 for each student. Additional funds are made available through a weighted formula which allocates moneys based on other factors such as special education, vocational education, transportation, etc. [KSA 72-6410]

*School Consolidation***2004 – Elementary and Secondary Education Issues - Consolidation**

Prior law provided an incentive to school districts that consolidate by July 1, 2004. The bill provides an incentive to districts that begin the consolidation process but are not able to complete it by the July 1, 2004, deadline.

Under the bill, if consolidation is completed by July 1, 2005, the consolidated district will receive state financial aid equal to what the combined districts received the year prior to consolidation. For the next two school years, the consolidated district will receive the greater of the amount it received the prior year or the amount it receives under the school finance formula. (Under the prior law, school districts that consolidate prior to the July 1, 2004, deadline receive a financial incentive for three succeeding school years.) A similar incentive is provided for school districts which are disorganized and are attached to a single school district. [KSA 72-6445a; 76-767; 72-8252]

2004 – Meetings to Discuss Consolidation

The bill provides that boards of education of two or more school districts that are considering consolidation may meet to discuss issues relating to consolidation within the boundaries of any of the districts proposing to form the consolidated district. The bill makes it clear that it is legal for districts considering consolidation to hold a meeting to discuss related issues within the boundaries of one of the districts involved. SB 373

2003 – School Districts – Consolidation of Districts

The bill contains provisions that apply to school districts that have been approved to consolidate. In such a case, following the election to consolidate, the temporary board of education, which is required under the law to be in place until the new board has been elected, is given power to enter into contracts, adopt resolutions, recognize bargaining units, and take other action necessary to provide for the maintenance, finance, and operation of the consolidated school districts. The temporary board is granted the power to enter into contracts of employment for all personnel it considers necessary to operate the consolidated school district. The temporary board's power could not be exercised more than 90 days prior to the consolidation of the districts. [KSA 72-8251; 72-8709]

2002 - School Districts—Boundaries and Organization, Employee Incentive and Retention Bonuses, and Community Service Programs

The bill pertains to incentives for disorganization of a school district and attachment of its territory to another district and consolidation of school districts, closure of school buildings, payment of incentive or

retention bonuses to teachers, school district transfer of territory criteria, and provision by the State Board of Education of a community service program to be offered in accredited high schools.

Effective commencing with the 2001-02 school year and prior to July 1, 2004, a school district which is enlarged due to disorganization of one district and attachment of its territory to the enlarged district is entitled to State Financial Aid (school district general fund budget) in the current school year equal to the State Financial Aid of the districts as they were defined in the year preceding the disorganization and attachment. For the next three school years, the district is entitled to the amount of State Financial Aid it received in the preceding year under this provision or the amount of State Financial Aid the district would receive under operation of the school finance formula in that year, whichever is greater. If the attachment occurs on or after July 1, 2004, the district receives the State Financial Aid of the districts for the year in which the attachment was implemented. For the next school year, the State Financial Aid of the district is the greater of the amount the district received in the preceding year or the amount the district would receive under operation of the school finance formula in that year. These provisions apply only when all of the territory of the district being disorganized is attached to one other district. [KSA 72-1126]

1999 - Comprehensive Study of School District Organization

The Legislature directs the State Board of Education to undertake a comprehensive study of the organization of school districts to determine if the system could be more efficiently and effectively operated under a different configuration. The State Board is authorized to establish advisory committees and secure consultant services. Along with making changes to existing school consolidation laws, the legislation requires the State Board to:

- Review grade level and school district enrollment and projected enrollment, pupil transportation requirements, capacity and condition of existing school facilities in each district, areas of interest in matters such as commerce and tradition, property tax bases of districts, and other matters deemed appropriate to the study.
- Identify and document the existence of problems with respect to matters reviewed and provide suggestions for solutions or alleviation of the problems.
- Determine a configuration of school districts that would serve the needs of Kansas children, Kansas taxpayers, and Kansas society in the most efficient and effective manner attainable and design a comprehensive plan for attainment of this configuration.
- Formulate recommendations for actualization of the comprehensive plan and for legislation to implement it.
- Present findings of the study, the comprehensive plan for optimal school configuration, and recommendations for implementation of the plan to the House and Senate Committees on Education on or before January 15, 2001. [SB 171 New Sec. 10. (a)]

Quality Performance Act

1995 - School Performance Accreditation

The Legislature amends the Quality Performance Act of 1992 and establishes a system for school performance accreditation that provides for assessments in core academic areas and creation of school site councils to evaluate goals and objectives. The bill calls for the State Board of Education to create a "public education performance report card" and a "school building report card" that provides comparative data on statewide assessment and other performance indicators. Kansas, Inc. is charged to evaluate "changes in pupil performance attributable to the school accreditation system." [KSA 72-6439]

1992 - Quality Performance Act

The school finance act passed by the Legislature directs the State Board of Education to design and adopt a quality performance accreditation (QPA) system for Kansas schools, and raises the number of days

students must attend school by six days. [KSA 72-6405 et seq.]

1992 - Kansas Commission on Education Restructuring and Accountability

This Commission consists of 39 members who are to develop goals and strategies for the reform and restructuring of public elementary and secondary education in order to provide each child with an equal educational opportunity. The Commission is also directed to consider the goals of America 2000 and the Business Round Table. The Commission is required to file a report with the legislature by December 15, 1992 for action by the 1993 Session. The enabling statute expires in February 1993. [KSA 72-77a01 et seq. now repealed]

Scholarship Programs

2004- Medical Student Loan Program

The bill amends the statutes regarding the Medical Student Loan Program. Prior law had excluded five counties from the definition of "service commitment area" so that medical students could not fulfill their service obligations in the five most populous counties in the state. The bill deletes Wyandotte County from that list of excluded counties and allows students who enroll in medical school after July 1, 2004, to fulfill their obligations in that county.

The bill also amends the statutes governing the Osteopathic Medical Service Scholarship Program to expand the definition of "rural areas" for satisfaction of service obligations such that it has the same meaning as "service commitment area" under the Medical Student Loan Program. [KSA 39-709c]

2002 - Medical Scholarships and Loans; Medically Underserved Area Designations

The medical student scholarship program was replaced by the loan program. This bill repeals statutes related to the scholarship program. The changes are that the bill:

- Gives the responsibility of designating medically underserved areas from the Chancellor of the University of Kansas to the Secretary of Health and Environment.
- Strikes from the statutes the requirement that designations be made for critically medically underserved areas by specialty for the medical loan program.
- Deletes from the statutes references to service commitment areas that were relevant to the medical scholarship program and not relevant to the medical loan program.
- Renames the Medical Scholarship and Loan Repayment Fund to the Medical Loan Repayment Fund.
- Inserts where appropriate in the definition of "primary care", family medicine. **Sub. for HB 2057**

2000 - Ethnic Minority Scholarships Program Changes

Existing law governing the Ethnic Minority Scholarship Program is amended to make the following changes:

- Expand the program to include area vocational-technical schools and technical colleges. Regents institutions, Washburn University, accredited independent institutions, and community colleges are already included.
- Provide that a student's "financial need" under the program will be determined under the federal methodology of student financial need analysis (replaces provisions which specify a student's financial resources include \$450 from the student's own work and resources and a parent contribution as determined by a financial needs analysis statement).
- Modify the limitation on the amount of an ethnic minority scholarship by changing to an amount equal to 75 percent of the average amount of total tuition and required fees of full-time in-state students (replaces the current cap of \$1,500 per year). **SB 380**

1998 - Comprehensive Grant Program; Board of Regents

The Legislature establishes a new Comprehensive Grant Program, as recommended by the Governor. The Governor recommended the creation of a new Comprehensive Grant Program to replace the Tuition Grant Program, the Washburn University Tuition Grant Program, and the Regents Supplemental Grant Program. The Governor's Budget Report stated that the new program would serve as an access program geared for full-time financially needy students attending a Regents university or independent college. The bill abolishes the Regents Supplemental and Tuition Grant Programs, and in their place, establishes the Kansas Comprehensive Grant Program. The Governor included \$9.9 million in FY 1999 for the new grant program. In addition, the bill repeals the sunset provision then attached to the Kansas Ethnic Minority Scholarship Program. This program was set to expire on June 30, 1999. As amended, the bill also eliminates a cap on the number of scholarships that could be awarded under the Vocational Scholarship Program. The Governor recommends that funding for the Vocational Scholarship Program be increased from \$65,000 in FY 1998 to \$100,000 in FY 1999. **[HB 2758, KSA 74-32,120 et seq.]**

Other Education Issues

2002 - Securities Commissioner—Investor Education Fund

The bill concerns the Office of the Securities Commissioner. The bill creates a new Investor Education Fund to be administered by the Securities Commissioner for the purpose of providing for the education of consumers in matters concerning securities regulation and investments. Moneys collected as fines and civil penalties by the Securities Commissioner will be credited to the new fund. The bill requires that, five years after the act takes effect, the Securities Commissioner must conduct a review of the Investor Education Fund and the results achieved from the investor education program. The report will be submitted to the Governor and the Legislature. **HB 2563**

2002 - KAN-ED Network Funding

This legislation provides a funding mechanism for KAN-ED through the Kansas Universal Service Fund (KUSF). KAN-ED is a broadband, technology-based network for schools, libraries, and hospitals. Legislation creating KAN-ED was passed by the 2001 Legislature. In accordance with that legislation, a user advisory council subsequently produced a plan for creating the statewide communications network. The plan was endorsed by the Kansas Board of Regents and the Kansas Department of Education in January 2002.

Under the bill, all state funding for KAN-ED will come from the KUSF and will begin in January 1, 2003. Also under the bill, the Board of Regents submits a proposed budget for KANED to the Legislature through the appropriations process. The Board of Regents then will certify to the KUSF administrator the amount provided by the Legislature through the appropriations process. Because rates for the KUSF are set in March of each year—a time that does not match up with the fiscal year for appropriations purposes—the Board of Regents will submit a proposed budget for FY 2003 that will be for a half year only, from January 1, 2003, until June 30, 2003. No more than \$10,000,000 may be paid from the KUSF to the State Treasurer in any one fiscal year.

The Board of Regents will be required to request approval of funding for KAN-ED through the appropriations process each year and certify the amount appropriated to the KUSF administrator each year. Distributions from the KUSF will be in equal parts based on the amount certified to the KUSF administrator in October of each year. KUSF funding for KAN-ED will expire on June 30, 2005, after which time State General Fund moneys will be used to fund the KAN-ED network. **Sub. for SB 614**

2001 - Establishment of the KAN-ED Network

The Legislature establishes a broadband technology-based network called KAN-ED for school, libraries,

and hospitals. The bill includes the following provisions:

- Eligible network participants include school districts, school district inter-local cooperatives, school district cooperatives, accredited non-public schools, Kansas's independent colleges, the Regents universities, Washburn University, community colleges, technical colleges, area vocational schools, area vocation-technical schools, public libraries, regional library systems, and licensed Kansas hospitals.
- Access to the network must be provided to not less than 75 percent of all participating schools, libraries, and hospitals by July 1, 2004. [KSA 75-7221 through 75-7227]

2001 – School Finance

The Legislature modifies the school finance formula and addressed other provisions.

- At Risk Pupils weighting is increased from 0.09 in 2000-01 to 0.10 in 2001-02, and thereafter.
- Four Year Old At-Risk Pupils competitive grant is expanded from \$2,230 in 2000-01 to \$3,756 in 2001-02, and to \$5,500 in 2002-03.
- Local Option Budget Enhancement of state special education services categorical aid a school district receives during the current school years is converted to a pupil weighting for purposes of determining the State Financial Aid of a school district.
- Juvenile Detention Facilities receive state aid equal to the lesser of actual costs of educational services provided to children in juvenile detention facilities or two times BSAPP.
- School Finance Study by the Legislative Coordinating Council is directed to provide for a professional evaluation of school district finance to determine the cost of a suitable education for Kansas's children. The sum of \$225,000 for fiscal year 2002 is appropriated for this purpose.
- Uniform Property Tax Levy rate of 20 mills and the \$20,000 residential exemption are continued for 2001-02. [KSA 46-1225]

2000 - Kansas Partnership for Faculty of Distinction

The bill enacts the Kansas Partnership for Faculty of Distinction Program. The program, administered by the State Board of Regents, is designed to encourage gifts by private donors to enhance the ability of institutions to attract and retain faculty of distinction. The state would contribute income earnings equivalent awards to supplement the endowed professorships. Eligible institutions include: any state educational institution, municipal university, community college, technical college, or vocational education institution under the governance or coordination of the Board of Regents. The total amount of new qualifying gifts which may be certified for any fiscal year is capped at \$30 million; the total for any one qualifying institution is capped at \$10 million; and the State General Fund earnings equivalent award is capped at \$5 million for a fiscal year. Gifts qualifying under the program may be accepted beginning July 1, 2000. The Board of Regents, however, may not certify any gifts until July 1, 2001. **Senate Sub. for HB 2476**

1998 - Postsecondary Education Savings Plan; Feasibility Study

The Legislature passed a bill which caused the State Treasurer to conduct a feasibility study to develop criteria for a postsecondary education savings plan. The feasibility study findings are to be reported to a joint meeting of the House and Senate Education Committees no later than January 15, 1999. (See 1999 - Kansas Postsecondary Education Savings Program, pg. 65) [KSA 76-3401 et seq.]

1996 - Qualified Admissions

The Legislature authorizes the State Board of Regents to adopt rules and regulations for admission of students at state educational institutions. Beginning with the 2001-02 academic year, a Kansas resident graduating from an accredited Kansas high school must be permitted to enroll if he/she:

- has completed the precollege curriculum prescribed by the Regents with a minimum grade point

average of 2.0 on a 4.0 scale or has been recognized by the Regents as having attained a functionally equivalent level of education;

- has achieved a composite American College Testing Program (ACT) score of 21 or more points; and
- has a ranking in the top one-third of the high school class upon completion of seven or eight semesters.

The Legislature also prescribes standards for Kansas residents under 21 with GED certificates, Kansas residents 21 and over, Kansas resident transfer students, nonresident high school graduates, and nonresident transfer students. **[KSA 76-717]**

1992 - Competency-Based Education Pilot Program Plan

The bill requests that the State Board of Education develop a plan for a pilot program whereby incentives would be offered to school districts which redirect their K-12 programs so that the driving force for progress through the system is student mastery of concepts and demonstration of abilities and which includes a component whereby school districts and parents enter into compacts regarding parental involvement in and responsibility for the students' educational progress. The resolution requires that the plan be submitted to the 1993 Legislature. **[SCR 1618, 1992 Session Laws]**

1992 -Endorsement of National Education Goals

The Legislature endorses America 2000 (the national education goals). The proposed strategies to accomplish these goals are:

- assisting families in early childhood education and school preparation
- emphasizing fundamental skills including communications, mathematics, and problem solving
- preparing students for post-secondary education
- providing a safe and orderly learning environment
- involving the community in the educational system **[SCR 1618, 1992 Session Laws]**

1988 - Margin of Excellence

The Legislature initiates a three-year program proposed by the Kansas Board of Regents to attract high quality professors to Kansas universities and to enhance mission-related programs. Funding for the first year of the program is set at \$11.9 million, and the Legislature further endorses the program by appropriating \$16.7 million in funding. Because of fiscal constraints during the 1990 session, third year financing was not available. **[FY 1989 and FY 1990 Appropriations Bills]**

1988 - Building-Based Education Program

This program provides yearly awards of state grants to any school district for development and implementation of building-based educational plans. The program is now repealed. **[KSA 72-9801 et seq. now repealed]**

See Also:

1999 - Kansas Postsecondary Education Savings Program, pg. 65

CHAPTER 6

Infrastructure

Highways

2004 - Comprehensive Transportation Program Financing

The bill creates a funding mechanism for the Comprehensive Transportation Program (CTP). The bill provides for issuance of revenue bonds, changes in the sales tax rate, and disposition of resulting revenue.

Bonding. The bill:

- Authorizes the Kansas Development Finance Authority (KDFA), subject to approval of the Secretary of Transportation and the State Finance Council, to issue revenue bonds in an amount not to exceed \$150 million, plus amounts to pay the costs of the bonds, including credit enhancements, and provide reserves required for the bonds, to finance the CTP. Revenue from those bonds will be credited to the State Highway Fund (SHF).
- Authorizes issuance of additional bonds, subject to approval of the State Finance Council, to offset any shortfall in anticipated federal receipts for state fiscal years 2005 - 2009 in an amount that is the lesser of the federal shortfall or \$60 million. Any such issuance will be subject to review and recommendation to the Finance Council by the Legislative Budget Committee.
- Requires the revenue bonds and interest to be payable from money appropriated for that purpose.

Sale Tax Rate and Disposition of Revenue Provisions. The bill also extends indefinitely the 5.3 percent state sales and compensating use tax rate which is scheduled by law to be reduced to 5 percent on July 1, 2006. An increased portion of the sales and use tax rate also will be earmarked for deposit in the SHF. Under prior law, 5/106 (one quarter cent) was deposited in the SHF. The bill expands the earmarking to 19/265 (0.38 cents) in FY 2007, and 13/106 (0.65 cents) in FY 2008 and thereafter. Finally, the bill repeals a statute that provides for a transfer to the SHF of 12 percent of sales and use taxes which are deposited initially in the SGF. **[KSA 68-2331]**

2001 - Authorization of Additional Comprehensive Transportation Program Bonds

The Legislature authorizes the Secretary of Transportation to issues \$277 million in additional bonds by raising the total principal amount of bonding authority from \$995 million to \$1.272 billion. The additional bond proceeds will provide funds to pay for costs relating to construction, reconstruction, maintenance, and improvement of Kansas highways. **House Sub for SB 304**

1999 - Comprehensive Transportation Plan

The bill enacts a ten-year comprehensive transportation plan for FY 2000 through FY 2009.

- The bill authorizes the following state highway system program components:
 - a. Maintenance
 - b. Construction and reconstruction, including major modifications and priority bridges
 - c. System enhancements projects of \$1.05 billion
 - d. A highway demonstration project to evaluate pavement guarantees by the contractor
- The bill provides enhanced assistance to local units of government through:
 - a. A formula adjustment in the Special City and County Highway Fund to provide an average increase of \$14 million annually in state aid.
 - b. An increase in city connecting links (KLINK) maintenance state aid from \$2,000 to \$3,000 per lane mile.
 - c. New assistance for communities with railroad crossings not on the state highway system.

- d. A program of credit enhancements for local units through the new Kansas Transportation Revolving Fund.
- e. Spending by the Secretary of Transportation of at least \$3 million in each county for highway, bridge, and substantial maintenance projects during the program period from July 1, 1999 to June 30, 2009 was required. (The 1989-97 Comprehensive Highway Program guaranteed spending at least \$2.5 million per county.)
- The bill authorizes new modal elements in the plan:
 - a. A new loan program for railroads was established. The bill provides for transfer of \$3 million from the State Highway Fund to the Rail Service Improvement Fund on July 1, 1999, and on each July 1 thereafter through 2006.
 - b. Funding for general aviation airports is authorized. On July 1, 1999, and on each July 1 thereafter, the bill authorizes transfers of \$3 million each year from the State Highway Fund to the Public Use General Aviation Airport Development Fund.
 - c. An enhanced public transit program is established. The transportation program for the elderly and disabled is expanded to include the general public. Funding is increased from \$1 million of state assistance to \$6 million annually by transfers from the State Highway Fund. Another average of \$5 million was estimated from the federal government on an annual basis.
- Revenue enhancing provisions in the bill:
 - a. The Secretary of Transportation is authorized to issue new bonded indebtedness of \$995 million backed by the State Highway Fund. The bonds would be required to mature in not more than 20 years.
 - b. Motor fuels taxes are increased beginning on July 1, 1999. The motor fuels taxes will be raised as follows: \$0.02 on July 1, 1999; \$0.01 on July 1, 2001; and \$0.01 on July 1, 2003. The cumulative increase of \$0.04 continues until July 1, 2020
 - c. The sales tax demand transfers from the State General Fund to the State Highway Fund are increased by 1.7 percent in FY 2000 and FY 2001. Beginning in FY 2002, the current 7.628 percent statutory figure will be raised to 9.5 percent. That percentage will be increased to 11 percent in FY 2003; 11.25 percent in FY 2004; and 12 percent in FY 2005 and thereafter. **[HB 2071 Creates new law and Amends K.S.A. 12-1,119, 68-2033, 68-2073, 68-2096, 68-2315 et seq., 68-2320, 75-5032 et seq., 79-3425 et seq., 79-3491a et seq., 79-34,104, 79-34,118, 79-34,126, 79-34,141 et seq., 79-34,161 et seq. and K.S.A. 1998 Supp. 68-416, 68-2321, 79-3408c and 79-34,147]**

1998 - US 169 Demonstration Project

The Legislature passed a resolution urging the United States Congress to support modernization of US 169 highway by designating it as a demonstration project. **[SCR 1617]**

1996 - Speed Limits

The Legislature set the maximum speed limits at 70 miles per hour on separated multilane highways designated and posted by the Secretary of Transportation, 65 miles per hour on all other highways, and 55 miles per hour on county or township roads. **[KSA 8-1560]**

1989 - State Highway Program

The State Highway Program provides for the allocation of \$2.65 billion to be used for highway maintenance and enhancements. The program covers eight years and includes at least \$2.5 million in highway, bridge or maintenance work in each county. The revenue for the program is derived from the sale of \$890 million in revenue bonds and increases in the motor fuel tax, registration fees, and the sales tax. **[KSA 79-4325 now repealed and 79-34,104]**

Telecommunications

2004 - Wireless e-911

The bill enacts the Wireless Enhanced 911 Act which creates a funding mechanism for improvements required to establish wireless enhanced (e-911) service. Such improvements will be financed from a combination of grants and e-911 local fee revenue. Grant funds will be generated from a 25¢ per month fee imposed on each wireless service account in the state. Grants will be available to counties with populations under 75,000 and to cities in those counties. An additional 25¢ local e-911 fee will be imposed on all wireless user accounts in the state for use by localities, regardless of size, to finance e-911 improvements.

Authority for the grant fee and related provisions of the bill will expire on July 1, 2010. Also at that time the local fee and the existing wireline 911 assessment will be equalized based on county population. The local fee along with the existing wireline 911 tax will provide ongoing support for the e-911 system.

The bill provides for audits and reports to the Secretary of Administration and the Legislature regarding the use of revenue generated under the Act. The bill also gives cities, counties, and public safety answering points (PSAPs) that serve them a maximum of slightly more than four years to request that wireless service carriers begin implementation of e-911 services. **[KSA 12-5333; 12-5334]**

2002 New and Separate City Franchise Procedure for Telecommunications Local Exchange Service Providers

The Bill creates a new and separate city franchise procedure for telecommunications local exchange service providers. Other sections refer to franchise application fees, access line fees, gross receipts fees, pass through of fees and the authority to use public rights-of-ways. **SB 397**

2002 - Affordable Telecommunications and Utility Rates

The bill amends portions of the Kansas Telecommunications Act of 1996 (referred to as the Kansas Act) that deal with universal service protection, telephone rate rebalancing, intrastate switched access rates, and the Kansas Universal Service Fund (KUSF). **Sub. for HB 2754**

2002 - Mobile Telecommunications Sourcing Act

The bill conforms Kansas law to the federal Mobile Telecommunications Sourcing Act by providing for a uniform method of sourcing tax revenues from the sale of mobile transactions, thereby avoiding multiple taxation of a customer's purchase of wireless telecommunications services. The bill calls for tax revenue collected from the sale of wireless communications services to be sourced to the customers "primary use" area, which is defined as the residential or business street address. The MTSA allows states to create a database of street addresses and assign them to a tax jurisdiction. If the state does not do this then the carrier can create a database and will not be held liable for under-collected taxes. **SB 372**

2001 - Bundled Telecommunications Services—Taxation

The Legislature provides a system for taxing bundled telecommunications services. Under this system, a retailer with the ability to break down the cost of bundled telecommunication services remits tax for only those that are taxable. If the retailer's bookkeeping system does not allow for a breakdown of the cost of taxable and nontaxable services, then the combined cost is deemed to be attributable to the taxable services and, as such, the combined total is taxed.

The bill places the burden of proving that a receipt or charge is not taxable on the telecommunications retailer. The bill also provides that upon request from the customer, the retailer is required to disclose the selling price of taxable services and of taxable and nontaxable services. **SB 1**

2000 - "Telephonestead" Credits

One provision authorizes refundable income tax credits beginning in tax year 2001 designed to offset the property tax assessment rate differential (33 percent to 25 percent) between the property of certain telecommunications companies and property which is assessed as commercial and industrial. These income tax credits will be applicable for property taxes actually and timely paid on property initially acquired and first placed into service in the state on and after January 1, 2001. **SB 410**

2000 - Task Force on a State Education Technology-Based Network

The bill proposes the creation of the 15-member State Education Technology-Based Network Task Force composed of the following persons:

- Six members of the Legislature appointed by the Legislative Coordinating Council (LCC), including three members each of the Senate and House, two of whom in each house are members of the majority party and one of whom in each house is a member of the minority party.
- Nine members appointed by the Governor, four of whom represent telecommunications, cable, and other communication service providers, and five of whom represent public and private elementary and secondary schools and public libraries.
- The Governor appoints the Task Force chair and vice-chair.

The Task Force is directed to:

- Evaluate the current status and cost of Internet access for elementary and secondary schools and public libraries and the need for access to "Internet 2" and full motion video connectivity.
- Establish a plan for updating and validating data from surveys of school district and library Internet connectivity to ensure that the data are accurate and consistent.
- Determine the need for state involvement in providing essential electronic communication for present and future learning opportunities.
- Create for legislative consideration a plan for state involvement, if the Task Force determines such involvement to be needed.

The Task Force reports to the LCC by no later than December 1, 2000. **SR 1848**

2000 - Uniform Electronic Transactions Act; Kansas Electronic Signatures Act

The Legislature enacts the Uniform Electronic Transactions Act and combines within it the provisions of the Kansas Electronic Signatures Act.

Uniform Electronic Transactions Act. The bill applies only to transactions between parties each of which has agreed to conduct transactions by electronic means. Whether the parties agree to conduct a transaction by electronic means is determined from the context and surrounding circumstances, including the parties' conduct. The act does not require a record or signature to be created, generated, sent, communicated, received, stored, or otherwise processed or used by electronic means or in electronic form. The bill sets forth, among other things, basic rules of electronic and automated transactions, rules for sending and receiving records, when an electronic record is deemed to have been sent and received, and rules for changes and errors

Kansas Electronic Signatures Act. The Legislature also creates the Kansas Electronic Signatures Act. An electronic signature means an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record. A digital signature is defined as a type of electronic signature consisting of a transformation of an electronic message using an asymmetric crypto system. The Secretary of State may adopt rules and regulations to implement the act and the Secretary of State is given authority to establish reciprocity with other states and nations.

In addition, the bill provides the following:

- That electronic records, signatures, and contracts shall be recognized as valid, and as satisfying legal requirements for records and signatures.
- That no state agency is required to use or permit the use of electronic or digital signatures. Any state agency may adopt rules and regulations regarding the use of electronic signature as long as the rules and regulations meet or exceed those adopted by the Secretary of State.
- A registered certification authority must create and preserve records to demonstrate compliance with all rules and regulations of the Secretary of State.

Failure to maintain any of these qualifications will cause the registration to lapse. Violation of the act, upon notice and hearing, may result in a civil penalty of up to \$10,000 per failure or violation.

- Procedures to be followed to become a registered certification authority include:
 - Registration with the Secretary of State
 - Payment of an annual filing fee of \$1,000
 - Filing of a surety bond, certificate of insurance, or other evidence of financial security in the amount of \$100,000
 - Approval by the Secretary of State in accordance with rules and regulations **Senate Sub. for HB 2879**

2000 - Unsolicited Consumer Telephone Calls

The bill includes three major provisions. First, the bill addresses the practice of "predictive dialing," which occurs when businesses use computers to continually dial the numbers of prospective customers but lack available telemarketing representatives to handle each call that becomes connected. Second, the bill requires the Kansas Corporation Commission to adopt rules and regulations governing information to residential subscribers and telephone solicitors about the Direct Marketing Association's Telephone Preference Service (TPS). Third, the bill amends the definition of "unsolicited consumer telephone call" in the Kansas Consumer Protection Act. **HB 2580**

1998 - Telephone Solicitations and Telemarketing

The Legislature amends the Kansas Consumer Protection Act and Telemarketing Fraud Act to make all telecommunications service providers comply with the statutorily prescribed procedures for telephone solicitations and telemarketing practices. Under prior law, any telecommunications service provider which had a pre-existing business relationship with a consumer was exempt from the provisions of these acts with respect to any telephone solicitations of, or telemarketing transactions with, that consumer. Moreover, the bill provides for the Kansas Consumer Protection Act and Telemarketing Fraud Act exempt from their requirements any business which purchased or acquired a business which had a business relationship with the solicited consumer. Under prior law, there was no provision for exempting the successor business from these requirements.

In addition, the bill amends the Telemarketing Fraud Act to allow consumers at least seven days, regardless of the date of receipt, to review goods or services resulting from a telemarketing transaction and decide whether to keep the merchandise or return it for a refund. Under prior law, the consumer only had seven days after receipt of goods or services to return the goods or cancel the services in order to qualify for a full refund.

The bill also prohibits a telephone solicitor from obtaining a consumer's payment unless the consumer has been afforded the opportunity of inspecting any delivered goods. Prior law did not require that collection of a consumer's payment be conditioned upon an opportunity to inspect delivered goods.

Finally, the bill amends the Kansas Consumer Protection Act pertaining to the requirements and penalties governing violations of transactions involving "door-to-door sales," by excluding from that definition those sales that occur during the Kansas State Fair. These sales must be transacted by an authorized vendor at the state fairgrounds. "Door-to-door sales" involve a sale, lease, or rental of property or services at a purchase price of \$25 or more. The transaction must occur at a place other than the supplier's place of business. **[Sub. for SB 573, KSA 50-640 and 50-673 and KSA 50-670]**

1997 - Telemarketing

The Kansas Consumer Protection Act is amended relating to unsolicited telephone calls. Specifically, the following changes were made:

- the definition of "consumer telephone call" to include soliciting a sale for property or services
- deletes the prior definition of "consumer goods and services"
- defines "negative response" to require a solicitation to be discontinued immediately when such response is given at any time during the telephone call
- deletes the provision that required a telephone solicitor to inquire, within 30 seconds after beginning the solicitation, whether the person being solicited is interested in listening to a sales presentation
- prohibits a telephone solicitor from blocking its telephone number from caller identification service for telemarketing purposes, provided that the equipment and service capability exists to display the solicitor's telephone number
- prohibits a telephone solicitor from transmitting information by FAX machine or computer to a consumer after the consumer requests orally or in writing that such transmission be discontinued
- clarifies that local exchange carriers or telecommunications carriers are not be responsible for the enforcement of these provisions **[KSA 50-670]**

1997 - Towers, Antennas, and Relay Sites

The Legislature enacts a law that requires the portion of fair market value of real property attributable to the leasing of real property for the purpose of placing a wireless communications tower, antenna, or relay site upon the property to be entered on the assessment roll and taxed separately to the owner of such equipment. This provision also stipulates that real property upon which such equipment is located would continue to be exempt from property taxation if it had been exempt previously. **[KSA 79-430 and 79-254]**

1996 - Policy Framework for Telecommunications

The Kansas Legislature articulates a policy framework for telecommunications in Kansas.

Major provisions of the bill included, but are not limited to, the following:

- **Public Policy Objective:** That every Kansan has access to a first-class telecommunications infrastructure that provides excellent services at an affordable price and that will support applications such as public safety, telemedicine, services for persons with special needs, distance learning, public library services, access to Internet providers, and others; ensuring that Kansans realize the benefits of competition; promoting consumer access to a full range of telecommunications services; and protecting consumers of telecommunications services from fraudulent business practices.
- **KCC Responsibilities:** Makes the Kansas Corporation Commission (KCC) responsible for initiating and completing a proceeding on or before Jan. 1, 1997 to establish minimum quality of service standards to be applied to local exchange carriers and telecommunications carriers on an equitable basis; and prepare and submit a report to the Kansas Legislature on Jan. 1, 2000, regarding the effectiveness of the regulatory framework.

- **Obligation of Local Carriers:** The bill requires a local exchange carrier to offer reasonable resale of its retail telecommunications services and to sell unbundled local loop, switch, and trunk to telecommunications carriers, and specify the terms and conditions under which resale may occur. The law change also included provisions related to: interconnection; number portability; and dialing parity.
- **Rural Entry:** The bill provides for exemptions to rural telephone companies with respect to the duty to negotiate interconnection, unbundled access, resale, notice of change, and collocation. In addition, the KCC was required to adopt guidelines no later than Dec. 31, 1996.
- **Rate Rebalancing:** The bill authorizes local exchange carriers to reduce intrastate switched access charges to interstate levels over a three-year period and authorizes the KCC to increase local residential and business service rates to offset reductions in intrastate access and toll charges.
- **Rate Rebalancing by Rural Carriers:** The bill requires rural telephone companies to reduce intrastate switched access rates to interstate levels on March 1, 1997, and every two years thereafter.
- **Price Caps:** The bill specifies the structure and features of price cap plans, requiring the KCC to establish price caps at the prices existing when the regulatory plan is filed (taking into account rate rebalancing), and authorizing the KCC to determine the price cap adjustment formula and review it every five years.
- **Reduced Regulation:** The bill requires the KCC, on or before July 1, 1997, to establish guidelines for reducing regulation prior to price deregulation of all services subject to price caps.
- **Internet Access:** The bill requires that, on or after July 1, 1996 and prior to Oct. 1, 1996, all local exchange carriers file tariffs, and rural telephone companies file concurring tariffs, to offer Internet access to an intraLATA Internet service provider of a customer's choice in those locations of the state where local (7-digit) Internet access was not available on Oct. 1, 1996. Such access must support at least 14.4 kilobits per second with no more than 5 percent blockage during the busiest hour of the service. The tariffs filed with the KCC must provide for two flat-rate dial-up plans -- \$15 per line per month for off-peak usage and \$30 per line per month for unlimited usage.
- **Extension of KANS-A-N Services:** The bill amends the law to authorize the Secretary of Administration to provide KANS-A-N services to hospitals or public nonprofit corporations determined to be performing a state function on an ongoing basis. (Private nonprofits already have such authority.)
- **Impact Assessment of TeleKansas:** The bill requires the KCC to review the capital expenditures made by Southwestern Bell for the extension of TeleKansas I (TeleKansas II), as required by statute, and issue an order establishing a schedule for completion of such capital expenditures if the company's commitments have not been met. **[KSA 66-2001 et seq. and 66-2013]**

1994 - Strategic Planning Committee on Telecommunications

The Legislature adopts a concurrent resolution to create a committee to develop a comprehensive plan for telecommunications in Kansas. The Telecommunications Strategic Planning Committee included legislators, representatives of industry, and government representatives. **[KSA 75-4740 et seq. now repealed]**

1992 - Communications Services to Governmental Units

The Legislature authorizes the Secretary of Administration to provide telecommunications services to any county, municipality, or school district in Kansas, to establish rates and charges, and to bill governmental units for those services. Prior to enactment of this legislation, the Secretary was authorized to provide such services only to state agencies. **[KSA 75-4703]**

1990 - Information Network of Kansas

As a result of a Kansas, Inc. study, the Legislature creates the Information Network of Kansas (INK). The subscriber-based network provides a computer gateway for individuals, corporations and associations to access state-collected data. A ten-member Board of Directors is responsible for establishing the managerial and organizational structure and providing continual oversight and corporate direction. [KSA 74-9301 et seq.]

See Also:

1991 - Telecommunications Corporation Income Tax Apportionment, pg. 64

Housing

1998 - Kansas Rural Housing Incentive District Act

The Kansas Legislature establishes the Kansas Rural Housing Incentive District Act in 1998. The purpose of this Act is to encourage the development and renovation of housing in rural Kansas cities and counties through the use of Tax Increment Financing (TIF) to finance certain types of public improvement projects. In addition, the bill establishes the Smoke Detector Act which requires the installation of smoke detectors in every story of a single-family or multi-family building. The Act includes the following provisions:

- **Procedure for Establishment of Rural Housing Incentive Districts:** The bill authorizes a city or county to designate rural housing incentive districts upon completion of a housing needs analysis and adoption of a resolution. This resolution must contain a legal description of the proposed district, a map depicting parcels of real estate in the proposed district, and a statement of specified findings attesting to a shortage of quality housing. As a precondition for establishment of the district, the Secretary of Commerce & Housing must agree with those findings. If the Secretary fails to agree, he must provide in writing the reasons for disagreement. Other preconditions for establishment of a rural housing incentive district include: adoption by the city or county of a plan for the development or redevelopment of housing and public facilities in the proposed district, and adoption of a resolution providing notice of public hearing to consider adoption of the plan. Upon conclusion of the public hearing, the city or county may adopt the plan for the district and may establish the district by city ordinance or county resolution. The city, county, or school district may exercise veto power over any ordinance or resolution establishing the district.
- **Eligible Cities and Counties:** The bill specifies population thresholds for cities and counties that are eligible to designate rural housing incentive districts. Cities must have a population of less than 40,000 and be incorporated in a county of less than 60,000. Counties must have a population of less than 40,000 and designate districts only in unincorporated areas.
- **Disposition of Real Property:** The bill authorizes a city or county which has established a rural housing incentive district to purchase or otherwise acquire real property. However, the city or county may not exercise eminent domain. Relocation assistance may be provided, if necessary. Any property acquired by a city or county may be sold or leased to a developer in accordance with the rural housing incentive district plan.
- **Bonds:** The bill authorizes a city or county to issue special obligation bonds, but no general obligation bonds, to finance implementation of the rural housing incentive district plan. These bonds may be repaid from several specified sources, including property tax increments. If property tax increments are used, the mechanism for collecting taxes on the property within the rural housing incentive district would be the same as in TIF law. The maximum maturity of such bonds may not exceed 15 years, in contrast to 20 years permitted in TIF law.
- **Projects Eligible for Funding:** Bond proceeds may be used to finance the following projects identified in the rural housing incentive district plan: acquisition of property; payment of

relocation assistance; site preparation, and public infrastructure specified in the bill. Bond proceeds may not be used for construction of buildings. [KSA 12-5241 et seq.]

See Also:

2003 – Transfer of Division of Housing, pg. 55

Other Infrastructure Issues

2004 - Leases or Easements for Wind Energy Resource Development; "Mother Hubbard" Deeds and Conveyances

The bill authorizes, but does not require, filing of every instrument that conveys any estate or interest created by a lease or easement involving wind resources to generate electricity. Any such instrument that is filed would be filed in the office of register of deeds of the county where the real estate is situated. The bill also specifies information to be included in such instrument regardless of whether it is filed with the county. Those instruments must contain:

- A description of the real property subject to the easement and a description of the real property benefiting from the wind lease or easement;
- A description of the vertical and horizontal angles, expressed in degrees, and distances from the site of the wind power system in which an obstruction to the wind is prohibited or limited;
- All terms or conditions under which the lease or easement is created or may be terminated; and
- Any other provision necessary or desirable to execute the instrument. If any such instrument is filed with the county, provisions regarding the compensation received by the owner of the property need not be included.

The bill also requires that when a recorded deed or conveyance covering mineral or royalty rights purports to include such rights that are not owned by the grantor, the deed or conveyance must be corrected. This provision applies when the deed or conveyance includes a general provision (sometimes called a "mother hubbard" clause) that should not have been included in the instrument. In those instances, any party with an interest in the real estate covered by the instrument may request that the grantee or grantor, as applicable, correct any mistake caused by the general conveyance provision applicable to other property. The bill defines a "mother hubbard clause" to be a provision in a deed or other written instrument that is intended to convey an interest in real estate and which describes all of the grantor's property in a particular county.

Any grantee or grantor who refuses or neglects to correct the legal description within 30 days after a written request has been made will be liable for damages in the sum of up to \$10,000 per title affected, and reasonable attorney's fee. Additional damages could be awarded if warranted by the case. If the legal description has not been corrected within the time period specified, the court must expedite an action to quiet title. Any court ruling resulting from such action will not relieve the grantee or grantor from damages or other responsibilities imposed by the bill. [KSA 58-2272; 58-2273]

2004 - Electricity Transmission and Generation

The bill enacts new law and amends prior law to provide incentives to increase electric transmission and generating capacity.

New provisions:

- Authorize the Kansas Development Finance Authority (KDFA) to assist electric transmission line owners or operators with marketing of bonds to finance construction and upgrade of transmission lines if a majority of the cost of construction and upgrade is in Kansas and, if the out-of-state portions are certified by the Kansas Corporation Commission (KCC) to improve reliability and

security of the state's transmission system or contribute to the long-term economic well being of the state.

- Provide for the KCC to approve recovery, over a period of 15 years, of capital expenditures for construction or upgrade of transmission lines used for bulk transfer of 34.5 kV or more of electricity under certain circumstances.
- Authorize any entity that constructs a minimum 100 KW electric generation facility to grant or lease interconnection facilities to transmission operators.
- Authorize the KCC to approve:
"The sale of transmission lines to a FERC-approved independent transmission company or system operator."
"Any contract for operation of transmission lines by a FERC-approved independent system operator or regional transmission organization. The KCC would have to afford any proceeds from such a sale or contract the appropriate rate-making treatment, including reasonable sharing of proceeds between ratepayers and the utility."
- Require the KCC to allow utilities to retain 10 percent of net revenue from sales of electricity generated by new or expanded capacity built in a county that had 5 percent or less population growth between the two most recent federal censuses. This provision does not apply to net revenue resulting from the sale of electricity generated from renewable resources and which is addressed under the law.
- Require the KCC to allow electric utilities to include in rates the utility's prudent expenditures for research and development by the utility or for investment in research and development by a nationally recognized research center provided that the research and development expenditures or investments are intended to enhance reliability or efficiency of electric utility service.
- Define "electric transmission line" to mean any line or extension of a line with an operating voltage of 34.5 kV or more which is at least five miles in length and which is to be used for the bulk transfer of electricity.

Prior law is amended to:

- Define "electric transmission line," for purposes of determining the value of a utility's property during KCC rate-making action, to be any transmission line that is at least five miles long and used for bulk transfer of at least 34.5 kV of electricity. Those transmission lines will be considered to be completed and dedicated to commercial service even though construction is not complete.
- Lower from 69 kV to 34.5 kV the minimum capacity of transmission lines for which a utility may seek determination of rate-making principles from the KCC prior to construction.
- Authorize KDFA to issue bonds for construction or upgrade of or acquisition of right-of-way for electric transmission lines that are owned and operated by a municipal electric utility or that will be used for the transfer of electricity with an operating voltage of a minimum of 34.5 kV (down from the 69 kV minimum in prior law). [KSA 66-1240 through 66-1246]

2004 - Public Works Bonds

The bill increases the minimum contract amount where a public works bond is required to be provided when bidding on construction, repair, and renovation projects of public buildings from \$40,000 to \$100,000. **HB 2201**

2003 - Determination of Rate-Making Principles and Treatment

The bill permits a public utility to file with the Kansas Corporation Commission (KCC) a petition for a determination of the rate-making principles and treatment that will apply to the recovery in wholesale or retail rates of the cost to be incurred by the public utility's investment in either a transmission facility or a generating facility. The petition has to occur prior to the undertaking of construction or participation in

either the transmission facility or the generating facility.

If a public utility seeks a determination of rate-making principles and treatment for a generating facility, then as a part of the filing it must submit a description of its conservation measures, demand side management efforts, its ten-year generation and load forecasts, and a description of all power supply alternatives.

If the KCC fails to issue a determination within 180 days of the date a petition for a determination of rate-making principles and treatment is filed, those principles proposed by the public utility would be deemed to have been approved by the KCC and would be binding for ratemaking purposes during the life of the generating facility or transmission facility or during the term of the contract on a generating facility.

The public utility has one year from the effective date of the determination by the KCC to notify the KCC whether it will construct or participate in the construction of the generating or transmission facility or whether it will perform under terms of the contract.

Under the bill, "transmission facility" means:

- Any existing line and supporting structures and equipment being upgraded for the transfer of electricity with an operating voltage of 69 kV or more of electricity, or
- Any new line and supporting structures and equipment being constructed for the transfer of electricity with an operating voltage of 230 kV or more of electricity.

Also under the bill, the term "contract" means a public utility's contract for the purchase of electric power in the amount of at least \$5 million, annually. **Sub. for SB 104**

2003 - Renewable Energy Cooperatives, Transmission Line Financing, and Interconnection Agreements

The Renewable Energy Electric Generation Cooperative Act provides for creation of a cooperative by five or more persons. The purpose of cooperatives created under the act is to generate electricity from renewable resources. All such cooperatives would be nonprofit, membership corporations. Electricity generated by these cooperatives may be sold only at wholesale. Members of these cooperatives must operate generation facilities that use renewable resources and have a capacity of at least 100 kilowatts of electricity.

Members also must agree to either sell at wholesale through the cooperative any excess electricity they generate, or sell through the cooperative any renewable attributes, or both. Renewable attributes are defined by existing law as tradable renewable energy credits (with or without other features), tradable emissions credits, emissions offsets or other market instruments created or obtained by use of renewable energy resources or technologies. Members who do not implement the agreement within, at most, two years no longer qualify for membership in the cooperative. The bill provides for a cooperative's bylaws to place other conditions on membership.

A renewable energy electric cooperative must pay for its use of existing distribution and transmission systems to transmit electricity, the costs of a generation interconnect study (if such a study is required), the costs of transmission system improvements, and other upgrades necessary for system operation. Any such costs are to be determined through negotiations between the cooperative and the owners of the distribution or transmission system.

Members of renewable energy electric cooperatives located in the territory of a retail electric supplier may be charged a monthly fee for services provided by the retail supplier. That fee would cover costs of

providing standby electric service, distribution system repair and maintenance, and other reasonable costs of being a provider of last resort. Renewable energy cooperatives and cooperatives' members are specifically prohibited from reselling electricity to their providers of last resort.

Transmission Line Financing. The bill also authorizes the KDFA to issue revenue bonds to pay for construction, upgrading, and acquisition of electric transmission lines, and certain related expenses. Transmission lines that are eligible for bond financing are those used for transfer of at least 69 kV of electricity. "Electric transmission line" is defined to mean any line or line extension that is at least five miles long and used for bulk transfer of electricity. The availability of the bond financing mechanism created by the bill is not restricted to renewable energy electric cooperatives. Bonds issued under authority created by the bill are payable from revenue generated from the use of transmission lines. **[KSA 17-4651 through 17-4681]**

2002 - Local Transportation Development Districts

The bill authorizes a transportation district excise tax on the selling of tangible personal property at retail or rendering or furnishing services within the district for the purposes of financing the project in any increment of 0.10 percent not to exceed 1 percent and pledges the revenues to pay for the project. A municipality imposing a transportation district excise tax must adopt a resolution stating its intention to levy the tax. The bill specifies that the imposition of the tax is subject to a protest petition and election procedure.

It allows any city or county to create a transportation district upon receipt of a petition signed by all owners of record of all the land within the proposed district. The petition must have: estimated cost of the project, method of financing the proposed district, method of assessment, amount of any sales tax, and a boundary map of the proposed district. Also, any property benefited by the project must be included in the boundary or be subject to assessment or excise tax.

Before creation of the district, the governing body must hold a public hearing and give notice of the hearing with a newspaper publication and certified mail to all property owners in the proposed district. Also, the total cost of all transportation projects must come from district revenue. **[KSA 12-17,130 through 12-17,139]**

2001 – Electric Public Utilities—Expanded Use of Construction Work in Progress

The Legislature provides the following incentives for the construction in Kansas of certain electric utility property that is owned or operated by Kansas's public utilities:

- The expanded application of an accounting treatment that allows into the "rate base" any public utility's construction work in progress (CWIP) of generation facilities and transmission lines to be placed in service on or after January 1, 2001. To qualify, electric generation facilities may be newly constructed or additions to existing facilities. They may not be used to generate electricity using nuclear resources or renewable energy resources. Transmission lines eligible for CWIP may include towers, poles, and other necessary property. These lines must be connected to an electric generation facility that is eligible for CWIP.
- Public utilities will be eligible to receive revenue bond financing from the Kansas Development Finance Authority for the construction, purchase, and installation or pollution control devices at electric generation facilities that are eligible for CWIP.
- Eligible electric generation facilities, pollution control devices at such facilities, and eligible transmission lines will be exempt from all property tax levies. That exemption will apply from and after commencement of construction of such facilities or transmission lines and from and after purchase or commencement of construction or installation of pollution control devices at

non-peaking plants for ten taxable years immediately following the year in that construction is completed. The term "peak load plants" is defined in the bill as an electric generation facility used during maximum load periods. The property tax exemption for peak load plants and pollution control devices installed at such plants also took effect on January 1, 2001. However, the exemption is authorized for four years following the year that construction is completed, rather than ten years for the non-peaking facilities described above. [KSA 74-8941]

2001 – Parallel Electric Generation Services Act Amendments

The Legislature amends and expands the law authorizing contracts for parallel generation service to include a provision to promote in Kansas the generation of electricity using renewable resources. An enhanced level of compensation will be provided to customers meeting certain conditions as discussed below. The bill applies parallel generation service requirements to customers of all utilities: investor-owned, all rural electric cooperatives, and municipally owned or operated utilities. The bill makes utility payments to customers for excess energy sales more attractive by requiring that the compensation amount be not less than 150 percent of the utility's monthly system average cost of energy per kilowatt-hour. This enhanced level of compensation will be offered only to residential customers who own renewable generators with a capacity of 100 kilowatts or less.

The bill also authorizes the Kansas Development Finance Authority (KDFA) to issue revenue bonds to pay for the construction, renovation, or repair of facilities that generate electricity solely by use of hydropower. To qualify for KDFA financing, such facilities must have a capacity of more than 2 but less than 25 megawatts. [KSA 74-8939]

1999 - Rail Transportation Services Task Force

The Legislature establishes a task force to study rail passenger services in Kansas. The task force was directed to study rail passenger service needs, including the possibility of entering into rail passenger compacts with other states and cooperating with other states, specifically with Oklahoma. The task force consists of nine members appointed as follows: two members appointed by the President of the Senate, two members appointed by the Speaker of the House of Representatives, one member appointed by the minority leader of the Senate, one member appointed by the minority leader of the House of Representatives, and three members appointed by the Governor. The task force was directed to submit an interim report and recommendations to the 2000 Legislature and to the Governor and a final report and recommendations to the 2001 Legislature and to the Governor. [HCR 5004, 1999 Session Laws]

1989 - State Water Plan

The Legislature approves funding for a State Water Plan. Funding for the plan relied on new water protection fees, fee increases, penalty and fine transfers, an annual allocation of \$2 million from the EDIF, and \$6 million from the State General Fund. The plan, as set forth in the State Water Resource Planning Act, establishes and implements water-related projects and programs and provided technical assistance. The plan is still funded through the EDIF at \$2 million per year. [KSA 2-1205, 2-2204, and 82a-951]

1988 - Partnership Fund; creation of

The Legislature creates the Kansas Partnership Fund. This fund was designed to provide loans to local governing bodies to finance infrastructure projects related to basic enterprise development. This revolving loan program is funded at \$3.5 million in FY 1989, \$0.8 million in FY 1990, \$0.5 million in FY 1991, and \$0.9 million in FY 1993. No funding was appropriated in FY 1992, 1994, 1995, 1996, 1997, 1998, 1999, or 2000. [KSA 74-5055 et seq.]

1986 - Internal Improvements Prohibition; elimination of

Kansas voters approved a constitutional amendment to an existing section which had prohibited the state from becoming involved in internal improvements except for highway or flood control improvements. The amendment allows the state to be a party in capital formation for economic development and to participate in internal improvements if authorized to do so by the Legislature. **[KS. Const. Art. 11, sec. 9]**

See Also:

1999 - Port Authority Agreement; amendment, pg. 54

CHAPTER 7

International Trade Development

Market Development

1999 - SCR Urging Federal Action

This Senate Concurrent Resolution urged Congress, the justice department and the packers and stockyard division of the United States department of agriculture to, among other things, remove or restrict the use of trade sanctions as they apply to agricultural products, and to work for the reduction or elimination of trade barriers and sanctions imposed by other countries against agricultural products; provide greater opportunities to the farmers of the United States by taking greater advantage of the export enhancement program; require country of origin labeling on foreign meat and dairy products with the labeling being on the final consumer product; investigate the need for mandatory price reporting by packers in the livestock industry; and investigate market concentration and pending mergers in the livestock and grain industry.

[SCR 1616, 1999 Session Laws]

1998 - HR Urging Kansas, Inc. to conduct a Study

The bill urges Kansas, Inc. to conduct a study assessing the overall trade effort in Kansas. Specifically, Kansas, Inc. was asked to analyze the state's current performance in establishing export markets and to render recommendations on how to enhance the state's global performance. That request resulted in the two reports published by Kansas, Inc. in February 1999. **[HR 6008, 1999 Session Laws]**

1994 -Trade Show Assistance Program; strengthened

The Legislature amends the Trade Show Assistance Program statute to allow for funding Kansas firms' participation in domestic trade shows that are international in scope. Prior law only allowed funding for trade shows held in other counties. The amendment allowed up to 30 percent of the total funds budgeted for any fiscal year to be used for domestic trade shows. This was the result of a recommendation made by Kansas, Inc. **[KSA 74-50,142 et seq. reserved]**

1989 - Trade Show Assistance Program; establishment of

The Legislature establishes the Trade Show Assistance Program, which is administered by the Trade Development Division of the Department of Commerce & Housing. The program provides matching funds to Kansas businesses to attend international trade shows for the purpose of expanding or entering the foreign marketplace. In 1993 the program was extended through July 1, 1998. **[KSA 74-5075 et seq. expired July 1, 1991]**

See Also:

1986 - Kansas Department of Economic Development; reorganization of, pg. 56

Export Finance

1994 - Export Finance Program strengthened

The Kansas Export Finance Act statute is amended to allow the program to guarantee larger loans. The amendment increased the limitation from 30 percent to 50 percent of the balance of the fund that may be used to cover a guarantee. The bill also adds two more members to the Kansas Export Loan Guarantee Review Committee. **[KSA 74-5072]**

1990 - Kansas Export Finance Program; reduction of guaranty fund

The Legislature amends the Kansas Export Finance Act to reduce the guaranty fund to \$500,000. [FY 1991 Appropriations Bill]

1989 - Kansas Export Finance Act

The Legislature creates the Export Finance Program to be administered by the then Department of Commerce. The program was created to provide guarantees for both pre-export and post-export financing to Kansas businesses and was initially funded with \$750,000 from the Economic Development Initiative Fund (EDIF). [KSA 74-5069 et seq.]

1989 - Export Loan Guarantee Review Committee; establishment of

The Export Loan Guarantee Review Committee is established and consists of five members appointed by the Governor. The statute directs that all members have appropriate experience and expertise in the area of business finance. The committee reviews all proposals for the export loan financing guarantees and approves or disapproves each proposal. The Secretary of Commerce & Housing serves as the non-voting chairperson of the committee. [KSA 74-5073]

*Other International Trade Development Issues***2003 - Port Authorities**

The bill allows a port authority to borrow money from a private person or entity approved by the port authority and clarifies that a port authority is permitted to borrow money or issue bonds. [KSA 12-3402]

1999 - Port Authority Agreement; amendment

The Legislature authorizes the amendment of a cooperative agreement creating a joint port authority by the governing bodies of the cities and counties which executed such an agreement. Under this new law, legislative approval would not be necessary for the amendment to take effect. [HB 2320 Amends KSA 12-3402]

1997 - Butler County Port Authority Creation

The bill grants legislative approval to the Butler County Commission for the creation of a port authority through the passage of an ordinance or a resolution. No port authority may transact business or exercise any powers without such approval through adoption of a concurrent resolution (KSA 12-3402(a)). This approval also applied to Wilson, Elk, Greenwood, and Sedgwick counties should they elect to join such port authority through passage of the appropriate ordinances and resolutions and by cooperative agreement. [SCR 5015, 1997 Session Laws, Ch. 195]

CHAPTER 8

Kansas Department of Commerce (KDOC)

Organization

2004 – Transfer of Division of Employment and Training; Creation of Department of Labor

Executive Reorganization Order No. 31 changes the name of the Department of Human Resources to the Department of Labor. In addition, ERO 31 transfers the duties the Division of Employment and Training of the Kansas Department of Human Resources (KDHR) to the newly established Division of Workforce Development in the Kansas Department of Commerce (KDOC), effective July 1, 2004. The transfer includes all employment and training related powers and duties which are specifically placed under the responsibility of the new Director of Workforce Development who is to be appointed by the Secretary of KDOC. Also specified as part of the transfer are powers and duties related to labor exchange and training, including, but not limited to those duties involving the Workforce Network of Kansas Board, the Kansas Apprenticeship Council, and the Commission on Disability Concerns.

The legislation is the technical bill making statutory changes to reflect passage of Executive Reorganization Order No. 31. Any statutory or regulatory reference to the powers and duties previously under the Secretary of KDHR or the Director of Employment and Training are transferred to and deemed to apply to the Secretary of KDOC, the Director of Workforce Development, and the newly established Division of Workforce Development. **HB 2948**

2003 - Transfer of Division of Housing

Executive Reorganization Order No. 30 transfers the Division of Housing from the Department of Commerce to the Kansas Development Finance Authority effective July 1, 2003. The transfer includes all housing-related duties and responsibilities, fund balances, and officers and employees. Those employees in the classified service will remain in such service. The positions could be converted to unclassified when they became vacant. Employees retain all leave and retirement benefits. The Executive Reorganization Order includes the provision that any statutory or regulatory reference to the Division of Housing in the Department of Commerce would be deemed to apply to the Division of Housing in the Kansas Development Finance Authority.

The legislation is the technical bill making statutory changes to reflect passage of Executive Reorganization Order No. 30. The bill amends all statutes which refer to the Department or Secretary of Commerce. The references in statutes dealing with housing issues are changed to the Kansas Development Finance Authority or its Director. All other references are changed to read the Department or Secretary of Commerce.

The bill also authorizes and directs the Department of Commerce to adopt in FY 2003 temporary rules and regulations setting forth an objective scoring matrix for the purpose of awarding housing tax credits. **[KSA 12-1780b]**

1996 - Kansas Department of Commerce & Housing; consolidation of reports

The Legislature passes a bill to consolidate ten separate reports issued by KDOC&H into one annual report to be submitted in October of each year. **[KSA 74-5049]**

1994 - Kansas Department of Commerce & Housing's mission amended

The Legislature amends the mission of the Kansas Department of Commerce & Housing to include coordination of the effort of state agencies and local economic development groups to the extent that such

efforts relate to the implementation of a comprehensive long-term economic development strategy. Under prior law, the mission required the agency to implement and coordinate within state government all facets of an economic development strategy. The bill also explicitly includes, as part of the agency's mission, the dissemination of public information concerning economic development programs available in Kansas. The agency is further required to make audio-visual and written materials describing economic development programs available to local chambers of commerce, economic development organizations, banks, and public libraries. **[KSA 74-5005]**

1994 - Existing Industry and Industrial Development Divisions; merger of

Kansas, Inc. recommended the merger of the Existing Industry and Industrial Development divisions of the Department of Commerce & Housing to create a new Division of Business Development. The purpose of this reconfigured division is to attract new business and industry to Kansas, and to promote the growth, diversification, and retention of existing business and industry in rural and urban parts of the state. **[KSA 74-5007a et seq. now repealed]**

1993 - Office of Minority Business; renaming of

The Legislature renames the Office of Minority Business within the Division of Existing Industry of the Kansas Department of Commerce & Housing to the Office of Minority and Women Owned Business Development. **[KSA 74-5010a]**

1990 - Kansas Department of Commerce; renaming of

The Kansas Department of Commerce is renamed the Kansas Department of Commerce & Housing to incorporate the newly created Division of Housing. The Housing Division administers the Kansas Weatherization program, the Community Services Block Grant program, and the Emergency Homeless Shelter Grant program. These programs were transferred from SRS. **[KSA 74-5082]**

1986 - Kansas Department of Economic Development; reorganization of

The Legislature directs the reorganization of the Department, merging the Small Business Division and Office of Minority Business to create the Existing Industry Development Division; transfers the responsibilities of the Office of Advanced Technology to establish the Kansas Technology Enterprise Corporation (KTEC); creates the Trade Development Division; and changes the name of the Kansas Department of Economic Development to the Kansas Department of Commerce. **[KSA 74-5001a et seq.]**

See Also:

2002 – Kansas Certified Capital Formation Company Act, pg. 10

1998 - Agriculture Products Development Division - Repeal of Sunset Provision, pg. 5

1997 - Kansas Development Finance Authority Board Composition, pg. 19

1996 - Agriculture Products Development Division within KDOC&H; creation of, pg. 5

1991 - Kansas Technology Enterprise Corporation; addition to Board of Directors, pg. 61

Programs

1996 - Priority for Services for Employees of Closing State Facilities

The Legislature passes a bill that gives priority to employees of closed public institutions wishing to take advantage of any KDOC&H and SRS services for a period of 12 months after closure of both Winfield and Topeka state hospitals. **[KSA 74-50,153]**

1994 - Incubator Facility; repeal of authority to fund

The bill that authorizes the Kansas Department of Commerce & Housing to award funding to aid in the establishment of incubator facilities was repealed in 1994. No funding was ever expended for this purpose due to complications posed by the statutory language. **[KSA 74-5040 now repealed]**

1992 - Minority Owned Business; state contracting study

The Legislature requests the Secretary of Commerce & Housing to establish a committee to study and make recommendations on state contracting with African-American, minority, and women-owned businesses. **[HCR 5060, 1992 Session Laws]**

1990 - Kansas Film Commission; establishment of

The Kansas Film Commission is established to assist individuals and companies interested in filming in Kansas. **[KSA 74-9201]**

1988 - Targeted Industries Program

The Industrial Development Division administers the Department of Commerce's Targeted Industries Program. The program is designed to target the state's recruitment efforts and resources to seven target industries: printing, electronics, material handling equipment, snack foods, pharmaceutical products, administrative offices, and research and development. Numerous publications and promotional items were prepared and distributed to targeted companies throughout the United States. **[KSA 74-5007, now repealed]**

See Also:

2003 - Income Tax Withholding Bonds, pg. 17
2003 - Statewide STAR Bond Authority, pg. 14
1999 - Tax Increment Financing for Historic Theaters, pg. 15
1998 - Kansas Rural Housing Incentive District Act, pg. 46
1998 - EDX Exemptions Application Preparation, pg. 98
1995 - Micro Loan Program, pg. 20
1995 - Main Street Development Grants, pg. 23
1988 - Private Activity Bond Allocation, pg. 21
1986 - Certified Development Companies Performance Grants, pg. 21
Generally - High Performance Firms Incentives Program (HPIP), pg. 95
Generally - Kansas Enterprise Zone, pg. 96
Generally - KEOIF, pg. 12
Generally - Chapter 13, Tourism, pg. 101
Generally - Chapter 9, Kansas, Inc., pg. 58
Generally - Kansas Community Services Program Act, pg. 22
Generally - KIT/KIR/SKILL/IMPACT, pg. 27
Generally - Chapter 14, Economic Growth Act of 2004, pg. 109

CHAPTER 9

Kansas, Inc.

Organization

1996 - Kansas, Inc.; additional board members

The Legislature passes a bill to add two more private sector members to Kansas, Inc.'s Board of Directors. The bill requires the Governor to appoint one new member to represent the professional and business services sector, and another member who is the owner of a small business. In addition, it provides that any decision by the Kansas, Inc. Board of Directors concerning the selection of President of Kansas, Inc. be subject to the approval of the Governor. [KSA 74-8001 et seq.]

1996 - Kansas, Inc.; amendment to funding requirement

Kansas, Inc.'s statute is amended to do away with the requirement that 33 percent of its funding come from the private sector. [KSA 74-8001 et seq.]

1990 - Kansas, Inc.; responsibilities and funding

The Legislature amends several statutes pertaining to Kansas, Inc. In particular, the amendments specified the responsibilities of Kansas, Inc. related to strategic planning and coordination of strategy development. In addition, Kansas, Inc. is required to review and evaluate the annual reports of the Department of Commerce & Housing, Kansas Technology Enterprise Corporation (KTEC), and Kansas Venture Capital, Inc., and to make recommendations to the Governor and Legislature regarding these agencies' activities no later than September 1 of each year. Furthermore, the method for financing the activities of Kansas, Inc. was changed to direct that Kansas, Inc.'s annual budget be financed 67 percent with state funds and 33 percent with private sector funds. State funding is designated for salaries and operating expenses in addition to research and evaluation activities conducted at the request for the executive or legislative branches. Private funding is designated to support economic development research and education programs and related activities. [KSA 74-8001 et seq.]

1986 - Kansas, Inc.; creation of

As a result of one of the recommendations that came out of the Joint Legislative Commission on Economic Development, the Legislature creates Kansas, Inc., a quasi-public organization governed by a 15-member, predominantly private sector, board of directors. This economic development organization is funded on the basis of two-thirds state and one-third private funding, and remains responsible for statewide long-term strategic planning and economic development program and activity oversight. The purpose of Kansas, Inc. is set forth as follows:

- undertake ongoing strategic analysis in order to determine the state's competitive economic advantages and disadvantages
- oversee the formulation of development policy and strategic planning for the state
- undertake continuing strategic planning for the improvements of the state's tax, regulatory, and expenditure policies to enhance the state's potential comparative economic advantages
- oversee crisis management and opportunity management of short-term potential gains or losses in economic activity through impact analysis
- establish goals, priorities and program standards, and evaluate the effectiveness of state economic development programs and policies according to the goals, priorities and standards established
- serve in an advisory capacity to the Kansas Department of Commerce & Housing

- review and evaluate the Kansas Technology Enterprise Corporation, the major programs and activities of the Department of Commerce & Housing, the statewide risk capital system, the venture capital tax credit, and the investments in research and development activities tax credit
- provide appropriate oversight to ensure the successful implementation of Kansas Venture Capital, Inc.
- forge a supportive partnership with the standing committee on commerce of the Senate, the standing committee on economic development of the house of representatives and the joint committee on economic development, the governor and the Secretary of Commerce & Housing, the Kansas Technology Enterprise Corporation, Kansas Venture Capital, Inc., Kansas certified development companies, Kansas small business development centers, Kansas public and private educational institutions, and other appropriate private and public sector organizations in achieving the economic goals of the state
- institutionalize ongoing means of collaboration between the executive and legislative branches, the business, agricultural and financial sectors, educational institutions and local communities to create a developing Kansas economy the increasing innovation, creativity, diversity and productivity of which is greater than any one sector can achieve acting alone. **[KSA 74-8001 et seq.]**

See Also:

1990 - Information Network of Kansas, pg. 46

Oversight and Research

2001 – Tax Incentives—Annual Report on Cost-Effectiveness

The Legislature suspends, until the 2003 session, the requirement that Kansas, Inc. prepare an annual report evaluating the cost effectiveness of various economic development income and sales tax incentives. The bill also requires Kansas, Inc. and the Department of Revenue prior to the 2002 session to agree upon procedures regarding the disclosure of tax information and submit whatever proposed changes in law would be necessary. **HB 2219**

2000 - State Strategic Analysis and Plan

This resolution urges the Legislature to undertake and fund an ongoing strategic analysis of the state's economy as well as the formulation of economic development policy and a strategic plan. This analysis and strategic plan is to be conducted by Kansas, Inc. **HCR 5059**

2000 - Evaluations of the Kansas Performance Review Board

As requested by Kansas, Inc., the Legislature repeals the statute requiring the agency to contract for periodic evaluations of the Kansas Performance Review Board. That statute required Kansas, Inc. to contract after July 1, 2000, and every three years thereafter, for an external review of the Board's activities and report the findings to the next successive session of the Legislature. **[SB 451]**

1996 - Kansas Performance Review Board

The Kansas Performance Review Board was created and charged with responding to complaints and requests by the public and by government employees regarding privatization options. The law change also requires Kansas, Inc. to contract for an external review of the Board's activities every three years, beginning in the year 2000. **[KSA 75-7101 et. seq. now repealed]**

1994 - Annual Evaluation of Tax Incentives and Credits

The Legislature passes a law requiring Kansas, Inc. to submit an annual report to the House Taxation, House Economic Development, Senate Assessment and Taxation, and the Senate Commerce Committees.

The annual report is to contain an evaluation of the cost effectiveness of various economic development tax incentives, including certain income tax credits and sales tax exemptions. The Legislature also requires the Department of Revenue to identify for Kansas, Inc. those taxpayers that have taken advantage of the aforementioned tax credits and exemptions. Employees of Kansas, Inc. are subject to the same confidentiality requirements imposed on employees of the Department of Revenue and are subject to the same penalties for violation of such requirements. **[KSA 74-8017]**

1994 - Cost-Benefit Model; development and funding of

On the recommendation of Kansas, Inc., the Legislature funds the development, testing, reproduction of, and training for the operation of a cost-benefit analysis model to aid cities and counties in performing the mandatory cost-benefit analysis required when granting constitutional property tax abatements and abatements in conjunction with IRBs. Kansas, Inc. receives \$100,000 in appropriations, of which \$60,000 is used for the development of the model and \$40,000 by the League of Kansas Municipalities for testing the model and training users. Usage of the model is voluntary. **[KSA 74-8016]**

1994 - Council on Privatization established

The Legislature adopts a concurrent resolution to form a 15-member Council on Privatization. This Council was responsible for studying the feasibility of contracting with private entities for the performance of governmental operations, identifying barriers to making public sector operations more competitive, and developing an on-going means of addressing these issues. Kansas, Inc. is responsible for supporting the activities of this Council. The council sunset on June 30, 1995. **[SCR 1626, 1994 Session Laws]**

1991 - Commission on Natural Gas Policy; creation of

A Senate Concurrent Resolution establishes a commission to study and review the policies, laws, and state and federal regulations affecting the natural gas industry. The commission, comprised of 12 members and staffed by Kansas, Inc., is directed to submit a report to the Governor and Legislature no later than January 31, 1992. **[SCR 1626, 1991 Session Laws]**

1990 - Economic Development Grant Reporting System

The Legislature instructs all state agencies providing economic development or community development grants and loans to provide to Kansas, Inc. an annual report detailing such grants or loans. This would provide Kansas, Inc. with the necessary information to analyze the distribution of economic development aid and provide an annual report to the Governor and Legislature. **[KSA 74-8015]**

See Also:

- 2004 - Entrepreneurship Center Evaluation, pg. 111-112
- 2004 - Bioscience Authority Evaluation, pg. 109-110
- 1999 - HPIP program Expanded to Include Wholesalers, pg. 95
- 1998 - HR Urging Kansas, Inc. to conduct a Study, pg. 53
- 1995 - School Performance Accreditation, pg. 34
- 1994 - Credit Authorized for KVCi Investments in Service Sector Firms, pg. 11
- 1994 - Kansas Economic Opportunity Initiative Fund (KEOIF); creation of, pg. 12
- 1994 - Establishment of Technical Colleges, pg. 32
- 1994 - Existing Industry and Industrial Development Divisions; merger of, pg. 56
- 1994 - Trade Show Assistance Program; strengthened, pg. 53
- 1993 - Kansas Tourism Attraction Development Grant Program amended, pg. 108
- 1992 - EPSCoR Program, pg. 62
- 1988 - Economic Development Initiative Fund (EDIF); appropriations criteria, pg. 24
- Generally – Chapter 14, Economic Growth Act of 2004, pg. 109

Chapter 10

Kansas Technology Enterprise Corporation (KTEC)

Organization

2000 - Composition of the KTEC Board of Directors

The statutory requirements governing the composition of the Board of Directors of KTEC are amended to allow the Governor to appoint "senior administrators" from the state's universities to the KTEC Board. These administrators are required to have extensive experience in managing basic or applied scientific and technological research although such experience does not necessarily have to be gained at a Kansas university. Under prior law, the Governor appointed four directors from the Kansas universities. These appointments were limited to scientists or engineers. **HB 2929**

1996 - KTEC Officers' Compensation; restrictions on

The Legislature passes a law restricting officers and employees of KTEC from receiving compensation for the performance of duties on behalf of any KTEC subsidiary or business in which KTEC is invested. The bill also requires that KTEC's president's employment contract be made available to the Senate Commerce Committee and the House Economic Development Committee, or if not in session, the Joint Economic Development Committee before its execution. **[KSA 74-8101 et seq.]**

1992 - Kansas Technology Enterprise Corporation; additional authority

The Legislature authorizes KTEC to establish wholly-owned subsidiaries. This legislation also provides for the addition of four private sector members to KTEC's board of directors and required the Department of Commerce, Kansas, Inc., and other state agencies to cooperate with KTEC in providing information and requested assistance. **[KSA 74-8101 et seq.]**

1991 - Kansas Technology Enterprise Corporation; addition to Board of Directors

The Legislature adds the Secretary of the State Board of Agriculture to the KTEC Board of Directors. KTEC is governed by a 16-member Board which consists of the Governor or Secretary of Commerce & Housing, four members of the Legislature serving on either the Senate Commerce or House Economic Development committees, and ten members appointed by the Governor and subject to Senate confirmation. **[KSA 74-8101 et seq.]**

1986 - Kansas Technology Enterprise Corporation (KTEC); creation of

Created as a result of the recommendations that came out of the Joint Legislative Commission on Economic Development, KTEC assumes the powers of the Advanced Technology office in the Department of Commerce. KTEC provides assistance to business in the development of new technologies and the successful commercialization of the new products those technologies spawn. KTEC also operates Centers of Excellence at four Regents Institutions, awards competitive research grants to develop commercial applications, engages in seed capital funding, and provides technology transfer between Kansas educational institutions and Kansas small business. **[KSA 74-8101 et seq.]**

See Also:

- 2002 - Kansas Certified Capital Formation Company Act, pg. 10
- 1998 - Purchase of the State's Interest in Ad Astra Funds, pg. 10
- 1996 - Vocational Education Instructional Equipment Aid; transfer of administration, pg. 29
- 1994 - Kansas Economic Opportunity Initiative Fund (KEOIF); creation of, pg. 12
- 1993 - Agricultural Value-Added Processing Center; transfer of administration, pg. 5
- 1990 - Kansas, Inc.; responsibilities and funding, pg. 58

Programs

1992 - EPSCoR Program

The Governor and Legislature appropriated \$1.5 million to Kansas, Inc. for the state match requirement of the federal Experimental Program to Stimulate Competitive Research (EPSCoR). The EPSCoR program of the National Science Foundation (NSF) provides funds to states which historically have been unable to obtain a proportional amount of federal basic research grants. Kansas, Inc. created the Science and Technology Council to provide oversight and direction. EPSCoR was transferred to KTEC through a proviso in an appropriations bill in

1994. **[FY 1993 Appropriations Bill]**

See Also:

2002 – Kansas Certified Capital Formation Company Act, pg. 10

Generally - Chapter 2, Venture Capital, pg. 9

Generally – Chapter 14, Economic Growth Act of 2004, pg. 109

Chapter 11

Taxation

Corporate Income Tax and Other Business Taxes

2004 – Franchise Tax Provisions

The bill also makes numerous structural changes in the franchise tax, effective for tax year 2004 and thereafter. The rate of the tax is reduced from 0.2 percent of shareholder equity or net worth to 0.125 percent. The maximum liability “cap” of \$5,000 also is increased to \$20,000; and a new exemption is provided for entities with equity or net worth of \$100,000 or less.

Administration of the franchise tax based on shareholder equity or net worth is relocated from the Secretary of State to the Department of Revenue. Corporations and associations, limited liability companies, limited partnerships, and business trusts are required to file annual returns with the Director of Taxation and remit the franchise tax liability before April 15 of each year.

The Secretary of State’s Office maintains a separate annual franchise fee of \$40 for forprofit and not-for-profit entities. All franchise taxes and fees will continue to be deposited in the State General Fund. **[KSA 79-1439d; 79-5401; 75-446; 75-447; 79-3683]**

2003 - Withholding Tax Provisions.

Additional sections amend income tax withholding statutes:

- Require withholding on management and consulting fees that are paid in the ordinary course of trade, business, or other for-profit venture to a nonresident of the State of Kansas.
- Clarify that S corporations, partnerships, and limited liability companies (LLC’s) are required to withhold tax on distributions to nonresident shareholders, partners and members.
- Require that S corporations, partnerships, and LLC’s file a return on withholding and furnish nonresident shareholders, partners, and members with a written statement as proof of the amount of his or her share of distributed or undistributed income that has been withheld.
- Waive the withholding requirement if the nonresident shareholder, partner, or member is income tax exempt and provides a statement to that effect including pertinent information.
- Waive the withholding requirement if the nonresident shareholder, partner, or member files an affidavit agreeing to be the subject to personal jurisdiction of the Department of Revenue and the Kansas courts for tax purposes. **[KSA 79-3666 through 79-3682]**

2002 - Income Tax Provisions

A Professional Employment Organization (PEO) will be considered an employer for purposes of Kansas income tax withholding. The client will give payroll information for assigned workers to the Department of Revenue for income tax purposes and in order to qualify for certain tax incentives. **[KSA 79-3269]**

2002- Corporation and Other Franchise Taxes. Various franchise taxes and fees are increased to effectively double the amount of revenue received relative to prior law. (Prior law, for example, imposed a tax of \$1 per \$1,000 of shareholder equity on corporations up to a maximum of \$2,500. The tax will now be \$2 per \$1,000 of shareholder equity up to a maximum of \$5,000). The bill also doubles the tax on various franchise taxes. **SB 39**

2000 - Farm Net Operating Losses Carrybacks

Farm net operating losses (NOLs) may be carried back five years, a provision that dovetails with federal law. In no case could a refund resulting from a farm NOL carryback exceed \$1,500 in a given year. **SB 410**

1998 - Adjustments to Income Tax

The Legislature amends tax law to require income taxpayers to report adjustments to income made by other state tax agencies. Prior law required such adjustments to be reported only when the IRS had made them. [KSA 79-3230]

1998 - Foreign State Income Tax Credits

The Legislature amends KSA 79-32,111 to clarify that taxpayers do not have to file amended returns to adjust credits for income taxes paid to other states as a result of the operation of Section 18 of Article 10 of the Missouri Constitution (the "Hancock Amendment"). For tax year 1998, the foreign state tax credit was reduced to offset the impact of Hancock Amendment refunds on the liability of all prior taxable years. For tax year 1999 and thereafter, the foreign state tax credit was similarly reduced to offset the impact of any Hancock refunds in the prior year. [KSA 79-32,111]

1996 - Apportioning Non-business Income

The Legislature authorizes corporations to elect, beginning in tax year 1996, to have all income arising from the acquisition, management, use, or disposition of tangible or intangible property treated as "business income." [KSA 79-3271]

1996 - Distressed Area Taxpayer

The Legislature authorizes a "distressed area taxpayer" to elect to have its business income apportioned to Kansas on the basis of a single factor (sales), rather than the three factors of payroll, property, and sales. The election can be made only once, for a period of ten years, and for only so long as the taxpayer maintains the payroll qualifications. A distressed area taxpayer is defined as a corporation located in a county with a population not exceeding 45,000 and which has sustained an adverse economic impact due to the closure of a state hospital, and which corporation has a total annual payroll of \$20 million or more for employees within the county. [KSA 79-3271 and 79-3279]

1992 - Corporate Income Tax increase

The School Finance Act lowers the corporate income tax base rate from 4.5 percent to 4 percent. The surtax is increased from 2.25 percent to 3.35 percent, and the level at which the surtax became effective is raised from \$25,000 of taxable income to \$50,000. [KSA 79-32,110 et seq.]

1991 - Telecommunications Corporation Income Tax Apportionment

The Legislature passes a law, requested by United Telecommunications, that allows the company to use a single factor apportionment method for determining state corporate income taxes. The single factor is based on a ratio of the message carrying capacity of wire and fiber optic in Kansas to the total carrying capacity of the company everywhere. This change makes taxation in this matter comparable to that of Missouri and other states. [KSA 79-3271 and 79-3279]

1988 - Alternative Minimum Tax (AMT)

The AMT on corporations was passed by the Legislature but was subsequently repealed in 1989. [KSA 79-32,183 et seq. now repealed]

1988 - Corporate Tax Reform

The Legislature passes several corporate tax reforms. Aside from the alternative minimum tax (AMT) which was enacted in the same legislation, the new statute eliminates the carry-back provision of net operating losses (NOL), and provides for an optional two-factor income apportionment formula (sales and property) for companies if their payroll factor in Kansas exceeded 200 percent of their property factor and sales factor in the state. [KSA 79-32,143 and 79-3279]

Individual Income Tax

2004 - Income and Other Taxes

One section of the estimated (income) tax law relating to penalties assessed relative to underpayment is amended to provide that the amount of tax individuals can reasonably be expected to owe before estimated payments are required is increased from \$200 to \$500.

Additional language requires the Secretary of Revenue to adopt rules and regulations regarding the filing of documentation to support income, premiums, and privilege tax credits claimed to help offset a portion of property taxes actually and timely paid for commercial and industrial machinery and equipment. **[KSA 79-3683]**

2003 - Income Tax Credits.

The bill clarifies the intent of legislation enacted originally in 2002 by repealing the extension to non-railroad state assessed public utility property of income tax credits offsetting a portion of certain personal property taxes timely paid. **[KSA 79-3666 through 79-3682]**

2002 - Low-and-Moderate-Income Tax Relief

The bill increases the Kansas Earned Income Tax Credit from 10 percent to 15 percent of the federal credit beginning in tax year 2002. **SB 39**

2001 - Kansas Income Tax Law

The Legislature modifies the following income tax laws:

- Assistive Technology Individual Development Accounts enacts a program that enables eligible families and individuals to establish accounts for the purpose of funding Assistive technology. A program contributor, defined to include "a persons or entity who makes a contribution" to an Individual Development Account, is allowed income tax credits up to 25 percent of the contribution amount. The total amount of all such tax credits authorized may not exceed \$6,250 in any fiscal year. These tax credits will not take effect until 2003.
- Community Service Tax Credits extends the program to allow charitable contributions by individual taxpayers. It requires that transfers of Community Service Tax Credits be for at least 50 percent of the value of the credits and a minimum contribution of \$250 is required in order to receive a tax credit. The bill also reduces the cap on the credits from \$5 million to \$4.13 million, in any fiscal year.
- Income Tax Statue of Limitations clarifies a three year statute of limitations for assessment after the original return was filed or within one year after an amended returned was filed, whichever is later.
- Limitation on Alternative Fuel Motor Vehicle Income Tax Credits places a limitation to taxpayers who make the original purchase of alternative fuel system motor vehicles. A credit of up to \$750 is available for such vehicles capable of operating on a fuel blend of 85 percent ethanol and 15 percent gasoline. The taxpayer must purchase at least 500 gallons of such blend from the date of purchase through December 31 of the next calendar year in order to be eligible for the credit. **[KSA 67-7101 through 65-7107]**

2000 - Kansas Postsecondary Education Savings Program

The Kansas Postsecondary Education Savings Program is amended to, among other things:

- allow an account owner to change beneficiaries, as long as an account is transferred to another member of the beneficiary's family

- allow the State Treasurer more discretion with regard to charging application fees to account owners
- changes the penalty for unqualified withdrawals from 15 percent of the amount withdrawn, plus forfeiture of the interest on the withdrawn portion, to 10 percent of the earnings on the amount withdrawn and requires an account owner to pay previously deducted taxes on any unqualified withdrawal
- changes the requirement that an account must be opened before the designated beneficiary reaches 25 years of age is deleted. Also deleted is the requirement that qualified withdrawals must be completed by the time the beneficiary reaches 30 years of age or within ten years after the first qualified withdrawal is made, whichever comes first
- changes the provision relating to married couples filing a joint income tax return is changed to allow them to claim a Kansas income tax deduction of up to \$4,000 from \$2,000 for each beneficiary for whom contributions to an account have been made **HB 2655**

1999 - Kansas Postsecondary Education Savings Program

The Tax Reform and Relief Act creates the Kansas Postsecondary Education Savings Program. Beginning in tax year 2000 individuals may contribute to education savings accounts to pay the postsecondary education expenses for themselves or designated beneficiaries. The program allows tax advantages under both state and federal law, and is administered by the State Treasurer. (See 1998 - Postsecondary Education Savings Plan; Feasibility Study) **[SB 45, New Section 11 et seq.]**

1998 - Tax Reduction and Reform; Singles Income Tax Cuts

Individual income tax reductions enacted in 1997 for single filers are accelerated such that the fully phased-in rates then scheduled to apply in tax year 2000 became applicable in tax year 1998. **[SB 493, Amends Sec. 20. KSA 79-32,119]**

1998 - Tax Reduction and Reform; Earned Income Tax Credit

The Legislature enacts a Kansas earned income tax credit (EITC) for individual income taxpayers equivalent to 10 percent of amounts claimed under the federal EITC. **[KSA 79-32,12 now repealed]**

1998 - Tax Reduction and Reform; Personal Exemption Increases

The Legislature increases the individual income tax personal exemptions from \$2,000 to \$2,250 for all years beginning with tax year 1998. **[KSA 79-32,121]**

1998 - Tax Reduction and Reform; Standard Deduction Amounts Increased

The Legislature increases the Kansas standard deductions for individual income taxpayers beginning in tax year 1998. The increases were as follows: Joint from \$5,000 to \$6,000; Single no change from \$3,000; Head of Household no change from \$4,400; Elderly/Blind filing Joint from an additional \$600 to \$700; Elderly/Blind filing Single from an additional \$750 to \$850. **[KSA 79-32,119]**

1997 - Individual Income Tax Rates

The tax reform package reduces the individual income tax rates for all other filers to be equal to the rates imposed on married individuals filing jointly. This reduction would take place over a four-year period. **[KSA 79-32,110]**

1997 - Adoption Expenses

The tax reform package provides a nonrefundable state income tax credit for adoption expenses beginning with tax year 1997. This credit is for adoption expenses equal to 25 percent of the amount of the credit allowable pursuant to section 23 of the federal Internal Revenue Code (alternative credits of \$1,500 were

provided for adoptions of children with special needs or who are in the custody of SRS). [KSA 79-32,202]

1997 - Consideration for Stockholders of an S Corporation

The Legislature excludes from Kansas adjusted gross income that part of federal adjusted gross income accruing to the taxpayer as a stockholder of an S corporation financial institution, but which was not distributed to the stockholder as a dividend. [KSA 79-1109 and 79-32,117]

1992 - Individual Income Tax increases

The School Finance Act repeals the option taxpayers had to pay under a different set of rates after deducting federal income taxes. The new tax rate for married taxpayers filing jointly became 3.5 percent on taxable income up to \$30,000, 6.25 percent on taxable income between \$30,000 and \$60,000, and 6.45 percent on taxable income in excess of \$60,000. These rates replaced the prior rates for married taxpayers filing jointly of 3.65 percent on taxable income up to \$35,000 and 5.15 percent on all taxable income in excess of \$35,000. For all others, the new rates were set at

4.4 percent on taxable income up to \$20,000, 7.5 percent on taxable income between \$20,000 and \$30,000, and 7.75 percent on taxable income in excess of \$30,000. These rates replaced the prior rates for all other individuals of 4.5 percent on taxable income up to \$27,500 and 5.95 percent on taxable income in excess of \$27,500. [KSA 79-32,110 et seq.]

1989 - Individual Income Tax rate changes

The top marginal rates for married taxpayers are reduced from 5.3 percent to 5.15 percent, and from 6.1 percent to 5.95 percent for single taxpayers. The bottom rates are reduced from 4.05 percent to 3.65 percent for married taxpayers, and from 4.8 percent to 4.5 percent for single taxpayers. This same bill allows taxpayers to use an optional rate structure for those choosing to deduct federal income taxes paid. The optional rate ranged from 4.75 percent to 8.75 percent. 1988 Legislation had repealed federal deductibility. [KSA 79-32,110 et seq.]

1988 - Individual Income Tax rate changes

The Legislature establishes rate brackets for single taxpayers at 4.8 percent and 6.1 percent, and for married taxpayers at 4.05 percent and 5.3 percent. The same bill eliminates the deduction for federal income tax paid and raised the amount of personal exemption to that of the federal exemption. [KSA 79-32,110 et seq.]

Privilege Tax

1998 - Financial Institution Privilege Tax; Investment Subsidiaries and Rate Reduction

Financial Institution Privilege Tax taxpayers are required to file consolidated returns or combined reports with any subsidiaries that own, hold, or manage all or part of the taxpayers' securities portfolio. The Secretary of Revenue is authorized to allocate or distribute gross income, deductions, credits, or allowances when necessary to prevent the evasion of taxes or to clearly reflect income of the taxpayer. The base rate for banks is reduced from 4.25 percent to 2.25 percent, and the base rate for savings and loan associations is reduced from 4.50 percent to 2.25 percent. The new provisions are applicable to all taxable years commencing after December 31, 1997. [KSA 79-1107 and 79-1108]

1997 - Shareholders of Certain S Corporations; access to tax credits

The Legislature amends KSA 79-1109 to include within the income of financial institutions the income of certain S corporation shareholders. Thus, this income would be taxed under the financial institution privilege tax statutes. [KSA 79-1109]

1996 - Privilege Tax Liability; multi-state financial institutions

The Legislature enacts new laws relating to the allocation and apportionment of income for the purposes of determining Kansas privilege tax liability of multi-state financial institutions doing business in Kansas and other states. The factors used to apportion net income among the states are property, payroll, and receipt, each computed according to the method of accounting (cash or accrual) used by the taxpayer. [KSA 79-1129]

See Also:

1997 - Consideration for Stockholders of an S Corporation, pg. 67

Premium Tax

1998 - Expansion of Economic Development Investment Incentives

The Legislature amends the law concerning the High Performance Incentive Program, the Kansas Enterprise Zone Act and the Kansas Community Service Program Act so that insurance companies can claim the related tax credits against their premium taxes. The bill also amends the law authorizing tax credits to eligible insurance companies for making buildings or facilities more accessible to persons with disabilities. These amendments reflect changes adopted by the 1997 Legislature with respect to insurance company taxation. [KSA 1997 74-50,114, 79-32,153 et seq., 1997 40-2813, 1997 74-50,132, 79-32,160a]

1998 - Implementation of 1997 Changes

The Legislature enacts law reflecting the 1997 Legislature's action to abolish the privilege tax on Kansas insurance companies (equal to 5 percent of net income) and expand the magnitude of the premium tax (from 1 percent to 2 percent) on such companies. The bill passed allows insurance companies (Kansas and out-of-state), beginning in tax year 1998, to claim tax credits against the premium tax and privilege fees. The bill provides for tax benefits to be equally applied to Kansas and out-of-state insurance companies. Prior to the Legislature's action in 1997, only Kansas companies could claim tax credits against the privilege tax. [KSA 40-112, 40-252 et seq., 40-2801, and 40-246]

1998 - Premium Tax on Dental Service Corporations

The Legislature amends the Kansas insurance law which established the schedule of fees and taxes applicable to insurance companies doing business in this state. The bill clarifies that the tax applicable to nonprofit dental service corporations was 1 percent for tax year 1997, and 2 percent for all tax years thereafter. [HB 2639, Amends KSA. 40-252]

1997 - Insurance Tax Reform Act of 1997

The Legislature makes a number of changes to the Kansas laws governing the insurance industry. Among these changes are:

- elimination of the differential in premium tax rates between foreign and domestic insurers (equalizing the rate at 2 percent)
- creation of a new tax credit against the premium tax for every non-commissioned salary dollar paid in Kansas
- repeal of the tax on annuities
- repeal of the investment tax credit (currently only available to domestic insurers)
- extension of the premium tax credit for taxes paid to support the fire marshal's office and firefighter's relief funds
- elimination of the privilege tax (a tax paid only by domestic insurers)

Most of the provisions were effective in the 1998 tax year. However, some of these provisions will be phased in over the next ten years, e.g. the fire marshal's office and firefighter's relief fund credits. [KSA 40-112, 40-252 et seq., 40-2801, and 40-246]

Property Tax

2004 - Property Tax Provisions

Relative to property taxes, the bill:

- Expands retroactive to tax year 2003 a property tax exemption for business aircraft to replace a requirement that the aircraft be “actually and regularly used exclusively” to earn income for owners with a requirement that the aircraft be used “predominantly” for such purpose. “Predominantly” is defined to mean at least 80 percent of the total use of the aircraft, or utilization of the aircraft such that all costs are deductible for federal income tax purposes. Additional new language provides that when the owner’s business is the leasing of aircraft, the lessee’s use of the aircraft is not to be considered in determining the exemption.
- Amends KSA 79-201f, to repeal an exemption for certain personal property moving in interstate commerce, as well as KSA 79- 5a01 to clarify that the definition of public utility includes brokers that now or hereafter own, control, and hold for resale stored natural gas.
- Classifies all wireless communication towers, broadcast towers, antenna and relay sites, except for public utility property, as tangible personal property for property tax purposes. These towers, antenna and relay sites are defined as commercial and industrial machinery and equipment for classification purposes.
- Expands the Homestead Property Tax Refund Program effective for tax year 2004 by increasing the upper threshold income level from \$25,000 to \$26,300.
- Increases the limit on interest accrued to \$5, below which the county treasurers of Sedgwick, Johnson, Shawnee, and Douglas counties are not required to collect interest due on delinquent personal property taxes. The bill also excludes Wyandotte County from a list of counties authorized to use an alternative method of collecting delinquent personal property taxes. **[KSA 79-1439d]**

2003 - Mechanics Lien Law

This bill amends the mechanics lien law by requiring that:

- A notice of extension for contractors must be filed within four months of last furnishing labor, equipment, materials, or supplies to the job site.
- If a notice of extension is properly filed, then a contractor, supplier, or other person providing materials or labor can file a lien within five months.
- The same provisions apply to subcontractors except the notice must be filed within three months, or five months for subcontractors in situations other than residential property. **Sub. For HB2064**

2003 - Property Tax and Real Estate Provisions—Various

The bill provides that in the determination of fair market value for property tax purposes of any real property subject to a special assessment, the value may not be determined by adding the present value of the special assessment to the sales price. Other provisions of the bill require sellers of real property subject to certain special assessments or fees to estimate the amount of such assessments or fees and disclose the information to buyers. Sellers are then required to obtain written acknowledgments that buyers have been apprised of the information.

Additional language amends property tax exemption statutes relating to certain airport property owned and operated by political subdivisions to authorize county appraisers, retroactively to tax year 1992 in one instance and retroactively to tax year 1993 in another, to list the value of land and improvements separately on the assessment rolls after such property has been valued.

An additional provision limits the authority of the State Board of Tax Appeals to order refunds, effective

for certain exemption applications filed after December 31, 2002, from the current three years to the year immediately preceding the year in which such applications have been filed. [KSA 12-6,123 and 12-6a20]

2003 - Property Tax Accelerator

The bill would, contingent upon a special determination by the Governor in August or September of 2003 as to the state's fiscal condition, provide for acceleration of the payment date for the second half of the prior year's property taxes from June 20 to May 10, beginning in 2004. Also, contingent upon that determination, the bill would change a number of other statutory dates related to that policy decision, including various property tax receipt distribution dates; motor vehicle receipt distribution dates; dates relating to when county treasurers are required to mail delinquency notices; and dates relating to the computation of interest on delinquent taxes.

Further, contingent upon the determination of the Governor to implement the property tax accelerator are various adjustments to state property tax levies. For tax year 2003 only, the current levy of 1 mill for the Kansas Educational Building Fund (EBF) would be reduced to 0.6 mills; the current levy of 0.5 mills for the State Institutions Building Fund (SIBF) would be reduced to 0.3 mills; and a new temporary levy of 0.6 would be imposed for the State General Fund (SGF). The levies for the EBF and SIBF would return to their current levels beginning in tax year 2004, and no levy would be imposed for the SGF in that year.

The Governor, if deciding to implement her authority and make the determination necessary to trigger the property tax accelerator and other provisions, is required to publish notice in the *Kansas Register* on or before September 30, 2003. [KSA 72-6431c]

2002 - Business and Economic Development Tax Provisions

Business machinery and equipment tax credits will be increased from 15 percent to 20 percent in 2005 and to 25 percent in 2007. The bill allows for these credits to be issued for railroad property.

The bill also amends the procedures for sale of property for delinquent taxes to permit a county without a court order to sell lots or tracts previously offered at public auction but which did not sell. The bill creates a specific formula for prorating the taxable value of boats which are bought and sold. **SB 39**

2002 – Property Tax—Use Valuation of Agricultural Land

The bill amends the statutory formula relating to use valuation of agricultural land for property tax purposes to provide that the capitalization rate for all years beginning in 2003 be set at not less than 11 percent and not more than 12 percent. **SB 553**

2001 – Incentives for Independent Power Producers (IPPs)

The Legislature provides IPPs with property tax exemptions and the use of revenue bond financing by the Kansas Development Finance Authority for the construction, purchase, or installation of pollution control devices at IPP facilities.

IPP property will be exempt from property taxation from and after commencement of construction of the generating facility and any pollution control devices installed at the facility and for the 12 taxable years immediately following the taxable year in that construction or installation of the property is completed. For peak load plants and pollution control devices at such plants, the tax exemption will apply for six taxable years immediately following completion of construction or installation. These tax exemption provisions for both types of plants and pollution control devices became effective on January 1, 2001. [KSA 74-8941]

2000 - Nurseries and Greenhouses included under farm Machinery & Equipment for property Tax Exemption

The Legislature amends existing law dealing with the property tax exemption for farm machinery and equipment to include planting, cultivating, and harvesting of nursery or greenhouse products, or both, for sale or resale in the "farming and ranching operation." The definition of the term "farm machinery and equipment" is also amended to include any greenhouse which is not permanently affixed to real estate and which is used for a "farming or ranching operation." **SB 12**

2000 - Property Tax Treatment of Wetlands

The Legislature amends the ad valorem property tax law such that wetlands will be treated as native grasslands for the purpose of determining agricultural use value. **SB 12**

2000 - Alternative Fuel Generation Exemption.

The Legislature clarifies the property tax exemption that was passed by the 1999 Legislature for property used to produce electricity using alternate methods, as well as language passed by the 1999 Legislature pertaining to the public utility valuation statute. The following clarifications to property tax laws regarding the exemption for alternative energy production were made:

- Clarifies that KSA 79-201 Eleventh would apply to "property" as opposed to "real and tangible personal property" under the current law. This includes intangible as well as tangible property in the exemption.
- Provides that exempt value be removed from the unit value of state assessed alternative energy property after apportionment instead of prior to apportionment. (KSA 79-201 Eleventh)
- Removes the phrase "except for private use" from the public utility valuation statute. (KSA 79-5a01) According to the Department of Revenue, this phrase causes taxpayer confusion and other language in the statute already addresses the same issue. **SB 12**

2000 - Homestead Amendments

The Homestead Property Tax Refund Act is expanded by allowing Social Security disability payments to be excluded from the definition of income in determining eligibility for the program. **SB 410**

1999 - Property Tax Exemption for Renewable Energy Resources or Technologies

The Tax Reform and Relief Act of 1999 provide a property tax exemption for real property upon which facilities utilizing renewable energy resources and where these technologies are located. The primary purpose of the facility must be to produce and generate electricity. The bill also exempts personal property that comprises such facilities. "Renewable energy resources or a technology" was defined to include wind, solar, thermal, photovoltaic, biomass, hydropower, geothermal, and land-fill gas resources or technologies. **[SB 45 Amends KSA 79-201]**

1999 - Resolution Required on Projects funded from Increases in Property Tax

Tax Reform and Relief Act of 1999 prohibits taxing subdivisions under certain circumstances, absent the adoption of a resolution or ordinance, from approving appropriations or budgets funded from increases in property taxes, except with regard to increases attributable to new improvements to real estate; increased personal property valuation for all subclasses except oil and gas leaseholds and mobile homes; property located within added jurisdictional territory; and property which has changed in use. **[SB 45, New Section 21 et seq.]**

1999 - Repeal of Fund Levy Limits

Tax Reform and Relief Act of 1999 repeals a number of specific statutory fund levy limits imposed on local taxing subdivisions. The bill also suspends any remaining fund levy limits extant in other statutes.

(Fund levy limits had been suspended since 1989 by the aggregate tax lid law, which is scheduled to sunset on June 30, 1999, as a result of 1997 legislation. The 1999 provisions prevent the reactivation of the individual fund levy limits when the aggregate lid sunsets.) [SB 45, New Section 21 et seq.]

1999 - Miscellaneous Property Tax Exemptions

The Tax Reform and Relief Act of 1999 extends the current property tax-exempt status of not-for-profit adult care homes to include homes that also house a licensed not-for-profit daycare center for children (retroactive to tax year 1996). An additional property tax exemption is provided for certain student unions and dormitories owned and operated by an area vocational school, an area vocational-technical school, a technical college, or a community college (retroactive to tax year 1998). A final property tax provision establishes that adult care homes (retroactive to tax year 1977) which use property in a manner consistent with federal IRS ruling 72-124 are deemed to have been operating at "lowest feasible cost" for purposes of qualifying for a property tax exemption. [SB 45, Sec. 74. KSA 1998 Supp. 79-201b]

1998 - Tax Reduction and Reform; Low-Cost Machinery and Equipment Exemption

The Legislature relaxes the requirement that business machinery and equipment be actually and regularly used "exclusively" for business purposes in order to qualify for the exemption. Such machinery would only have to be used in the conduct of the owner's business. Existing law exempted all such items with a retail cost when new of \$250 or less. [KSA 79- 201w]

1998 - Tax Reduction and Reform; Tax Credits for Machinery and Equipment Property Taxes Paid

The Legislature enacts a refundable income, premium, and privilege tax credit equivalent to 15 percent of timely property taxes paid on commercial and industrial machinery and equipment (including such property owned by not-for-profit entities), and machinery and equipment assessed under the mineral leasehold interest subclass. The credit is applicable beginning with property tax year 1998 liability. [KSA 79-32,121]

1997 - Property Tax Lid extended

The Legislature extends the sunset of the aggregate property tax lid by two years, from July 1, 1997, to July 1, 1999. A new exemption is provided for expenses associated with interfacing with the state criminal justice information system. A new provision is enacted that requires ballot explanation language to be provided for tax lid charter ordinances and resolutions which are placed on local ballots. [KSA 79-5038 expired July 1, 1999, 79-5028 and 79-5036 et seq. now repealed]

1997 - Homestead Property Tax Credit expanded

The Legislature expands the homestead property tax relief program so that individual refund amounts are increased and the total household income eligibility ceiling was increased from \$17,200 to \$25,000. The program is enhanced further for renters by increasing from 15.0 to 20.0 percent the amount of rent assumed equivalent to property taxes paid. [KSA 79-4502]

1997 - Property Tax Exemption for Industrial Training Centers

The Legislature exempts from property tax any building used primarily as an industrial training center for academic or vocational education programs designed for and operated under contract with private industry, and located upon a site owned, leased, or being acquired by or for an area vocational school, an area vocational-technical school, a technical college, or a community college. The site upon which the building is located is also exempted. These exemptions commenced in tax year 1997. [KSA 79-201a]

1997 - Circuit-Breaker

The Tax Equity Fairness Act of 1997 puts into law that when the appraised valuation of any owner-occupied single family residence increases by 75 percent or more from one year to the next, a portion of the tax attributable to the increase is to be refunded to the taxpayer for each of three tax years, provided the increase was not due to the property's being improved. [KSA 79-1476]

1997 - Property Tax Exemption; effective date

The Tax Equity Fairness Act of 1997 KSA 1996 79-213 is amended to provide that when SBOTA grants an initial request for exemption, the exemption becomes effective upon commencement of construction provided such construction is commenced within 24 months prior to the first exempt use of the property. This provision was made retroactive to tax year 1996. [KSA 79-213]

1997 - Property Tax Exemption for Farm Machinery and Equipment

The Legislature amends KSA 79-201j to remove the requirement that the use of the machinery or equipment in any farming or ranching operation be exclusive, and to include the operation of a feedlot in the definition of farming or ranching operation. [KSA 79-201j]

1996 - Property Tax Lid extended

The Legislature extends the property tax lid, which was scheduled to expire on July 1, 1996, for one year. The lid applies to cities, counties, townships, community colleges, and municipal colleges. [KSA 79-5021 et seq. now repealed]

1995 - Property Tax Exemptions on Property Valued at \$250 or less when new

The Legislature exempts from property tax starting in tax year 1996 any item of machinery, equipment, materials, and supplies with a retail cost when new of \$250 or less which is actually or regularly used exclusively for business purposes or which is used in the conduct of activities by a not-for-profit entity. Owners of such property are made exempt from having to file for the property tax exemptions. [KSA 79-201w]

1995 - Commercial and Industrial Machinery and Equipment not used in the Production of Income (idle machinery and equipment); classification of

The Legislature passes a bill which decrees that all commercial and industrial machinery and equipment not classified as such and not being used for the production of income by the owner would be defined as "all other" tangible personal property. As such, this property will be assessed at 30 percent of fair market value. [KSA 79-1439c]

1994 - Not-for-Profit Assessment Level lowered

The Legislature reduces the assessment level from 30 percent to 12 percent, starting in tax year 1994, on taxable real property owned and operated by certain not-for-profit corporations. [KSA 79- 1439a]

1994 - Motor Vehicle Assessment Rate; reduction of

The 1994 Legislature reduced the assessment rate on motor vehicles from 30 percent to 28.5 percent in 1996; to 26.5 percent in 1997; to 24.5 percent in 1998; to 22.5 percent in 1999; and to 20 percent in the year 2000. The bill included new minimum taxes for cars and motorcycles that haven't reached the \$12 and \$6 respective minimum, boosting the minimum to \$24 for cars and trucks and \$12 for motorcycles. It also reduced the state's school district mill levy on motor vehicles from the current 35 mills to 31 mills in 1996, then annually, to 24 mills, 16 mills, 8 mills and to zero mills in the year 2000. [KSA 79-5111, 79-5105, 79-5114, and 79-5120]

1992 - Property Tax Classification

Voters approved another constitutional amendment that imposed a new property tax classification schedule. The new schedule, which became effective for tax year 1993 reduces the assessment level for residential property from 12 percent to 11.5 percent; reduces the assessment on taxable real property owned by certain not-for-profit organizations from 30 percent to 12 percent; reduces the assessment level for commercial and industrial real property from 30 percent to 25 percent; raises the assessment on public utility real and personal property (including inventory) from 30 percent to 33 percent (this excluded railroads); lowers the assessment level on mineral leaseholds on low-producing oil and gas wells (less than 5 barrels per day or 100 mcf per day) from 30 percent to 25 percent; and raises the personal property tax on commercial and industrial machinery and equipment from 20 percent to 25 percent (based on the retail cost when new). [KS Const. Art. 11, sec. 1]

1989 - Reappraisal and Classification

The entire state underwent a property reappraisal that took effect in 1989, the same year that a constitutional amendment relating to property tax classification was implemented. Residential real property was assessed at 12 percent of its appraised (fair market value) valuation; commercial and industrial real property was assessed at 30 percent of its appraised (fair market value) valuation; and agricultural land was assessed at 30 percent of its valuation based on its use. [KS Const. Art. 11, sec. 1]

1988 - Property Tax on Inventories

The Legislature makes all inventory owned by merchants or manufacturers exempt from property tax. Kansas and Oklahoma had been the only states in the region to tax inventories. A later amendment stated that this did not apply to property of a public utility. [KSA 79-201m]

See Also:

1999 - Oil and Gas Tax Relief, pg. 87

Uniform School District General Fund Property Tax

2003 - School Finance Mill Levy

Provisions of the bill reenact for the 2003-2004 and 2004-2005 school years (property tax years 2003 and 2004) the 20-mill mandatory school district general fund property tax levy and the \$20,000 residential exemption there from. [KSA 79-3666 through 79-3682]

1999 - Residential Exemption extended

The Legislature extends the duration of the 20 mill (and \$20,000 residential exemption) uniform mill rate imposed for support of school district general fund budgets by one year - to the 2000-01 school year. [SB 171 Amends KSA 1998 Supp. 72-6410]

1998 - Residential Exemption extended

The Legislature extends the \$20,000 exemption from the levy for residential property through tax year 1999. [KSA 79-201x]

1998 - Uniform School District Tax Levy; reduced

The Legislature reduces the mandatory school district general fund property tax levy for the 1998-99 and the 1999-2000 school years from 27 to 20 mills. [KSA 72-6431]

1997 - Residential Exemption; establishment of

The tax reform package includes removing \$20,000 of the appraised valuation of property used as a residence from the application of the uniform school district general fund property tax levy for tax years 1997 and 1998. [KSA 79-201x]

1997 - Uniform School District Tax Levy; reduced

The tax reform package hastens the scheduled reduction in the uniform school district general fund property tax levy (scheduled to decrease to 33 mills in 1997-98) and lowers the levy from 33 to 27 mills for the 1997-98 school year and set the levy at 27 mills for the 1998-99 school year. [KSA 72-6431]

1996 - Uniform School District Tax Levy; extended and reduction scheduled

The Legislature extends for one more year the uniform property tax levy of 35 mills for school finance. The Legislature schedules a decrease in the tax to 33 mills for the 1997-98 school year and to 31 mills for the 1998-99 school year. [KSA 72-6431]

1994 - Uniform School District Tax Levy; amended

This amendment sets the district general fund tax rate for 1994-95 and 1995-96 school years at 35 mills. This was not a change, rather a response to a District Court opinion in which a judge interpreted this property tax levy a "state" property tax levy. As such, the tax could not be imposed for a period in excess of two years. [KSA 72-6431]

1992 - Uniform School District Tax Levy; establishment of

The School Finance Act requires school districts to levy a general fund property tax on the assessed valuation of their respective district, as follows: in 1992, 32 mills; in 1993, 33 mills; and in 1994 and thereafter, 35 mills. [KSA 72-6431]

*Employment Taxes***2004- Employment Security Act**

The bill makes technical corrections to the Employment Security Act to correct numbering errors from amendments passed during the 2003 Session and clarify existing law regarding the carryover of experience rating factors to successor employers as a result of Supreme Court Ruling in *CPI Qualified Plan Consultants, Inc. Delaware vs. Kansas Department of Human Resources*. 272 Kan. 1288 (2002).

The following amendments to the Act also were made in the bill:

- Exempt private, for-profit employers from paying state unemployment taxes on inmate employees;
- Provide that an individual would be disqualified from unemployment benefits if the individual has been discharged for failing a pre-employment drug screen required by the employer and if such discharge occurs not later than seven days after the employer is notified of the results of such drug screen. The disqualification would begin the day following the separation and would continue until after the individual becomes reemployed and has had earnings from insured work of at least three times the individual's determined weekly benefit; and
- Add other conditions when an individual will be disqualified from receiving unemployment benefits:
 - "if an employee failed to return to work after expiration of approved personal and/or medical leave;
 - "incarceration would not be considered good cause for absence or tardiness;

"failure of the employee to notify the employer of an absence shall be considered *prima facie* evidence of a violation of a duty or obligation reasonably owed the employer as a condition of employment;

"misconduct will include incarceration, resulting in absence from work of three days or longer, excluding weekends and legal holidays. **SB 440**

2003 – Employment Security Law

The bill amends the Employment Security Law by deleting the requirement that a person's unemployment benefits have 50 percent of Social Security and Railroad Retirement Act benefits deducted from unemployment benefit payments.

In addition, the bill modifies the formula for unemployment benefits for one year. Under the bill, two weeks of additional benefits would be given to claimants who exhaust regular benefits and any other federal or state extended benefits from July 1, 2003, to June 30, 2004. The bill clarifies that employers would not be charged for any extended or additional benefits.

Finally, the bill amends the Employment Security Law by changing Kansas law to match federal law regarding an unemployment tax on employers who hire immigrant agricultural workers. The bill ends this unemployment assessment. **[KSA 44-704c]**

2003 – Employment Security Insurance Act for Domestic Violence Survivors

The bill establishes the Employment Security Insurance Act for Domestic Violence Survivors. Selected provisions of the bill include the following:

- Unemployment benefits could not be denied to a victim of domestic violence if the victim left work as a result of domestic violence.
- No employer will be charged for benefits paid due to the claimant leaving employment as a result of domestic violence as defined in the bill.
- An employee who is the victim of domestic violence will not be denied benefits for failing to accept an offer of employment when the position does not reasonably accommodate the person's physical, psychological, safety, and/or
- legal needs related to domestic violence.
- The Secretary of the Department of Human Resources will implement a training curriculum for employees who will interact with claimants under the provisions of the bill. **[KSA 44-760 through 44-764]**

2002- Employment Security

The bill amends the Employment Security Law to provide the following:

- The bill establishes an alternative wage base period for workers with a workers compensation injury. This provision is designed for injured workers who recover from a work related injury to the extent that the worker can return to work but is unable to find work and then is found to be excluded from unemployment benefits since there were no wages in the base period.
- The bill provides that no contributing employer or rated government employer account will be charged if they did not contribute at least \$100 for their pro rata share of benefits charges. **HB 3021**

2001 – Employment Security Law

The bill amends the Employment Security Law to provide for a different classification of employers. The prior classification uses the Standard Industrial Classification manual. The new method uses the North American Industry Classification System. Under the new method there will be classification that is more

detailed in nature. The change is made necessary due to the North American Free Trade Agreement.

The bill also contains conforming legislation relative to treatment of Indian tribes under the Federal Unemployment Tax Act (FUTA) and the Federal-State Unemployment Compensation program. The bill excludes Indian tribes from FUTA and allows them to act as reimbursing employers, similar to state and local governments. Certification for Kansas is necessary to prevent employers from paying several millions of dollars in taxes for being out of conformity with federal requirements. **Senate Sub. for HB 2303**

1999 - Unemployment Tax; phase in

The Legislature amends the Employment Security Law to provide for a phase in of unemployment compensation taxes. The phase-in spans the years 2000, 2001, and 2002. The Secretary of the Department of Human Resources is required report to the Legislature, in January and July, on the solvency of the Employment Security Trust Fund. **[SB 270 Amends KSA 44-710a]**

1998 - Unemployment Tax Moratorium extended

The Legislature extends the moratorium on employment security taxes for a fifth year (calendar year 1999) for positive balance employers. Ineligible employers are to pay a 1 percent tax for 1999. A safety measure in the bill provided that, if the reserve fund ratio dropped below 1.75 percent of total wages, the moratorium would cease to exist and employment security tax payment would resume. **[KSA 44-710a]**

1997 - Unemployment Tax Moratorium extended

The Legislature extends the moratorium on collection of unemployment compensation taxes for another year. The extension includes the calendar year 1998. The phase-in provisions are moved back to 1999. The four major features of the bill are: zero tax for employers eligible for an experience rating, new employers received a tax reduction, negative balance employers received a rate reduction, and measures were put in place to protect fund solvency. **[KSA 44-710a]**

1997 - Unemployment Tax Exemption to Direct Sellers

The Legislature amends the Employment Security Law by providing an exemption to direct sellers so that these companies would not have to pay unemployment taxes for their salespersons. "Direct seller" is defined as anyone who is engaged in the trade or business of selling or soliciting the sale of consumer products on a buy-sell basis or a deposit-commission basis and who works in the home or in any other place than in a permanent retail location. Direct sellers include such companies as Amway, Mary Kay Cosmetics, and the Kirby Company. The exemption does not apply to sales resulting exclusively from solicitations made by telephone, mail, or other telecommunications method or other non-personal method. **[KSA 44-703]**

1996 - Unemployment Tax Moratorium extended

The Legislature extends the moratorium on collection of unemployment compensation taxes for an additional year (1997). The phase-in provision is moved back to 1998. In addition, for rate years 1996 and 1997 all negative account balance eligible employers were to be assigned rates and pay contributions. **[KSA 44-710a]**

1995 - Unemployment Insurance Tax Moratorium

The Legislature imposes a two-year (1995-1996) moratorium on collection of unemployment compensation taxes from positive account balance employers. Negative account balance employers are unaffected, though permitted to become current in order to take advantage of the moratorium. Phase-in provisions are established and set to begin in 1997. **[KSA 44-710a]**

Sales Tax

2004 - Streamlined Sales Tax

Retailers are authorized prior to January 1, 2005, to elect to utilize origin-based sales tax sourcing provisions in effect on June 30, 2003, as an alternative to the destination-based sourcing provisions which became effective July 1, 2003. On and after January 1, 2005, all retailers are required to be in full compliance with the destination-sourcing provisions. The Secretary of Revenue subsequently is authorized to waive penalties and interest that would otherwise be imposed relative to the failure of taxpayers to properly implement destination sourcing, provided such failure is due to "reasonable" causes. [KSA 79-5401; 75-447; 79-3683]

2004 - Sales Tax Provisions

The bills provisions are to:

- Amend the sales tax law to provide that in the case of isolated sales of motor vehicles or trailers, the tax is to be charged on the greater of the stated selling price or the valuation of the motor vehicles or trailers pursuant to the motor vehicle tax law. An exception is provided for "damaged or wrecked" vehicles, for which the sales tax would be charged on the actual selling price.
- Allow those public water supply systems which did not previously avail themselves of an option to impose a clean water drinking fee in exchange for obtaining a sales tax exemption to again have that opportunity on and after January 1, 2005.
- Extend sales tax exemptions, effective January 1, 2005, to:
 - "sales and purchases of the Heartstrings Community Foundation for the purpose of providing training, employment, and activities for adults with developmental disabilities"
 - "sales of property and services purchased by or on behalf of domestic violence shelters that are member agencies of the Kansas Coalition Against Sexual and Domestic Violence"
 - "sales of all property to certain contractors for use in preparing certain meals for delivery to homebound elderly or disabled persons or to be served at a group-sitting for such individuals at a location outside of the home or for consumption by indigent or homeless individuals"
 - "sales and purchases of the Cystic Fibrosis Foundation, Heart of America Chapter, for the purposes of assuring the development of the means to cure and control cystic fibrosis and improving the quality of life for those with the disease"
 - "certain sales of hearing aids and replacement parts (including batteries) therefore, by persons licensed in the practice of dispensing and fitting hearings aids"
 - "certain sales and purchases of the Spina Bifida Association of Kansas"
 - "certain sales relating to aircraft repair, modification, and replacement parts, including sales of labor services"
 - "certain sales of property and services purchased by contractors from July 2003, through June 2004, in connection with a community-based mental retardation or mental health facility located in Riverton"
 - "certain computer software customization services"

Decelerate from monthly to quarterly the sales tax filing requirements for retailers with annual liability of \$1,600 to \$3,200. [KSA 79-1439d; 79-3683]

2003 - Sales Tax Nexus and Tax Amnesty

The bill redefines "retailer doing business in the state" for purposes of sales and use taxes to include retailers having or maintaining permanently, temporarily, directly or indirectly through a subsidiary, agent or representative, an office, distribution house, sales house, warehouse, or other place of business. Additional new language relating to sales tax nexus requires in-state businesses to collect sales tax on the selling price of items delivered to in-state customers who have ordered such items from out-of-state businesses not registered to do business with Kansas.

The bill also provides for a tax amnesty under certain circumstances that forgives penalties and interest assessed on certain unpaid taxes if the outstanding liability is paid in full from October 1, 2003, to November 30, 2003. The amnesty provisions are identical to those also enacted in HB 2005. **[KSA 79-2977a]**

2003 - Local Sales Taxes

The bill adds language that classifies all Wyandotte County cities as "class D" cities for purposes of local sales taxation, granting such cities additional local sales tax authority of up to 0.75 percent for economic development or strategic planning initiatives or for public infrastructure projects. Sumner County also is authorized to impose a local sales tax of up to 1 percent without sharing the moneys with cities located therein, provided the revenues are pledged to finance a courthouse, jail, law enforcement center, or county administrative facility.

Other local sales tax language provides new sales tax authority of 0.4 percent for Jackson County, with the revenues earmarked 50 percent for economic development initiatives and 50 percent for public infrastructure projects. Any such tax imposed is required to sunset after seven years.

Additional provisions of the bill provide special local sales tax authority for Chase and Shawnee counties. Chase County is authorized to impose a tax of up to 1 percent without being required to share the revenues with cities located therein, provided the moneys are earmarked for financing the construction or remodeling of a courthouse, jail, law enforcement facility, or other county administrative facility. Any such tax imposed is required to sunset upon the payment of all costs incurred in the financing of such facilities. Shawnee County is granted new authority of .25 percent for the purposes of pledging the moneys to the city of Topeka to finance the costs of rebuilding the Topeka Boulevard Bridge and other public infrastructure improvements associated therewith. Any such tax imposed is required to sunset upon the payment of all costs incurred in the financing of such projects. **[KSA 79-3666 through 79-3682]**

2003 - Sales Tax Rate Extension

The bill enacts various provisions of law such that the current 5.3 percent sales and compensating use tax rate is maintained until July 1, 2006, at which point the rate would be reduced to 5 percent. Under prior law, the 5.3 percent rate had been scheduled to be reduced to 5.2 percent on July 1, 2004; and to 5 percent on July 1, 2005. **[KSA 79-3603c]**

2002 - Transportation Tax Enhancements

The bill raises the current taxes on gasoline, special fuels and LP-gas, and this expects to raise the total tax revenue on motor fuels by \$32.6 million in FY 2003. **HB 3011**

2002 - Motor Vehicle Situs

The bill imposes an additional local compensating use tax on motor vehicles purchased in the state that is applicable to the extent that the combined local sales tax rates imposed on the situs of such vehicles (the residences or places of business of purchasers) exceeds the combined local rates imposed at the locations of the vehicle purchases. **[KSA 12-199]**

2002 - Streamlined Sales Tax

The Department of Revenue is authorized to become a signatory to the multistate streamlined sales and use tax agreement and make preparations for its implementation, which cannot occur until such time as the Legislature has taken further action to bring the state's laws into compliance with the agreement. The Department is required to identify all changes in law and rules and regulations necessary and sufficient to meet the agreement's compliance requirements. The bill also provides that the Secretary of Revenue or his

designee is authorized to represent Kansas before other states participating in the streamlined sales tax project or that are signatories to the agreement. Appointees of the Senate President, House Speaker, Senate Minority Leader, and House Minority Leader also will be authorized to represent Kansas at the meetings. All such appointees will be paid compensation, subsistence allowances, mileage, and other expenses. **[KSA 70a-102a]**

2002 - Revenue Enhancements

The bill increases state sales and compensating (use) tax rate from 4.9 to 5.3 percent, effective July 1, 2002. The rates will subsequently be reduced to 5.2 percent on July 1, 2004; and to 5.0 percent on July 1, 2005. The bill also increases cigarette taxes from 24 cents per pack to 70 cents per pack, effective July 1, 2002, and is further increased an additional nine cents (to 79 cents per pack) on January 1, 2003. A "floor" or inventory tax equivalent to the increases also is imposed, and an adjustment is made to the dealers' discount percentage to assure that all new revenues will be deposited in the SGF. The bill also repeals a tax exemption on custom software sales. **SB 39**

2002 - Low and Moderate Income Tax Relief

The Bill expands the food sales tax rebate program beginning in tax year 2002 by indexing the qualifying income thresholds for inflation and by increasing the dollar amounts of the rebates to \$36 and \$72. (Under prior law, refunds of \$60 per person were available for taxpayers with qualifying income of \$0 to \$12,500; and refunds of \$30 were available for those with income of \$12,501 to \$25,000. Based on inflation assumptions used by the Department of Revenue, the program will be expanded for tax year 2002 such that refunds of \$72 per person will be available for those with qualifying income of \$0 to \$12,800; and refunds of \$36 per person will be available for those with income of \$12,801 to \$25,600.) **SB 39**

2001 – Local Retail Sales Tax—Amendments

The Legislature changes to timing issues related to implementing an approved local retail sales tax. The first change imposes a 30-day deadline for a city or county to notify the Director of Taxation following the adoption of a local retail sales tax. The second change increases the time between notifying the Director and implementing the sales tax from 60 days to 90 days. The local government is required to deposit any receipts received in excess of the amount necessary to pay the cost of a special project into its general fund. **SB 253**

2001 – Local Sales Tax—0.1 Percent Incremental Authorities for Cities

The Legislature amends KSA 2000 Supp. 12-189 to authorize local sales tax rates in 0.1 percent increments for class A, B, and C cities. Such cities had rate authority in 0.25 percent increments under prior law. **SB 216**

2001 – Job Investment Credit Act

The Legislature temporarily expands the sales tax exemption provisions of the Job Investment Credit Act to allow a sales tax exemption for qualified retail business located outside of a city in a county having a population of 10,000 or less. The provision applies to retail businesses that locate or expand prior to July 1, 2004. The bill also prohibits a local government from having an ordinance or resolution controlling the amount of rent charged for leasing private residential or commercial property. **SB 146**

2001 – Water Districts—Various Provisions

The Legislature creates sales tax exemptions for the purchases of various public water districts, including indirect purchases made on behalf of such districts by contractors. The sales tax does not apply to the gross receipts from sales of rural water district benefit units; water system impact or system enhancement or other similar fees; and connection or reconnection fees collected by water suppliers.

A new clean water drinking fee of \$0.03 per 1,000 gallons of water sold at retail by public water supply system is imposed on and after January 1, 2002 by those public water supply systems that do not elect prior to October 1, 2001 to "opt out" of imposing such fee. Any such election will be irrevocable and would eliminate the application of the aforementioned sales tax exemption for those systems. Public water supply systems that do not opt out and do begin imposing the fee are prohibited from passing on the fee to consumers. **SB 332**

2000 - "Integrated Plant"—Exemption from Sales Tax

The Legislature expands the manufacturing machinery and equipment sales tax exemption in KSA 1999 Supp. 79-3606(kk) to provide a modified "integrated plant" theory. Specifically, all sales of machinery and equipment used in the state as an "integral or essential part of an integrated production operation by a manufacturing or processing plant or facility" are exempted, as are sales of installation, maintenance, and repair services performed on such machinery and equipment and repair and replacement parts and accessories for such machinery and equipment.

New "Integrated Plant" Exemption. Machinery and equipment are deemed to qualify for the exemption when used to:

- Receive, transport, convey, handle, treat, or store raw materials in preparation for placement on a production line.
- Transport, convey, handle, or store property undergoing manufacturing or processing at any point from the beginning of the production line through any warehousing or distribution of the final product occurring at the plant or facility.
- Act upon, effect, promote, or otherwise facilitate a physical change to the property undergoing manufacturing or processing.
- Guide, control, or direct the movement of the property undergoing manufacturing or processing.
- Test or measure, when a necessary part of the integrated production operation, raw materials, the property undergoing manufacturing or processing, or the physical product.
- Plan, manage, control, or record the receipt and flow of inventories of raw materials, consumables and component parts, the flow of property undergoing manufacturing or processing, and the management of inventories of the finished product.
- Produce energy for, lubricate, control the operating of, or otherwise enable the functioning of other production machinery and equipment, and the continuation of production operations.
- Package the property being manufactured or processed in a container or wrapping in which such property is normally sold or transported.
- Transmit or transport electricity, coke, gas, water, steam, or similar substances used in production operations from the point of generation, if produced at the plant site, to the production operation (or, if purchased or delivered from offsite, from the point where such substance enters the plant to the actual production operation).
- Cool, heat, filter, refine, or otherwise treat water, steam, acid, oil, solvents, or other substances used in production operations.
- Provide environmental controls essential to the production process.
- Treat, transport, and store waste or other byproducts of production operations.
- Control pollution at the plant or facility.

Other kinds of machinery and equipment are deemed to be exempt even though they may not otherwise qualify under the integral or essential part test, including:

- Computers and related equipment utilized for engineering of the finished product or for research and development or product design.

- Machinery and equipment utilized to manufacture or rebuild tangible personal property used in manufacturing or processing operations.
- Portable plants for aggregate concrete, bulk cement, and asphalt (cement mixing drums to be attached to motor vehicles also are deemed to qualify).
- Industrial fixtures, devices, support facilities, and special foundations necessary for manufacturing and production operations, as well as materials and other tangible personal property sold for the purpose of fabricating such fixtures, devices, facilities, and foundations.
- Laboratory equipment not located at the plant or facility which would otherwise qualify for the exemption.

Excluded from Exemption. Machinery and equipment does NOT qualify for the exemption when used:

- For non-production purposes such as plant security, fire prevention, first aid, accounting, administration, record-keeping, advertising, marketing, sales, cleaning, communications, and employee work-scheduling.
- Primarily in maintaining and repairing any type of machinery and equipment or the building or plant; and for general plant heating, cooling, and lighting.

Additional types of machinery and equipment which are excluded from the exemption include:

- Certain transportation, transmission, and distribution equipment not primarily used in a production, warehousing, or material-handling operation.
- Office machines and equipment (including computers) not used directly and primarily to measure or control the manufacturing process.
- Furniture and other furnishings.
- Buildings and any other part of real estate that is not otherwise exempt.
- Building fixtures not integral to the manufacturing operation.
- Motor vehicles registered for operation on public highways.
- Employee apparel, with the exception of safety and protective apparel purchased by employers and furnished gratuitously to employees involved in research or production.

Also excluded from the definition of “manufacturing or processing plant or facility”: any facility primarily operated for the purpose of conveying or assisting in the conveyance of natural gas, electricity, oil, or water.

Material Handling and Storage Equipment. Sales tax exemptions also are retained for all sales of material-handling equipment, racking systems, and other related machinery and equipment used for handling, movement, or storage of tangible personal property in a warehouse or distribution facility in the state; for sales of installation, repair, and maintenance services performed on such machinery and equipment; and for sales of repair and replacement parts for such machinery and equipment. (Most such purchases had been exempt under prior law, but these provisions are now moved into a new subsection of KSA 1999 Supp. 79-3606.)

Refunds. Another section provides for the payment of sales or use tax refunds over a ten-year period (and without any interest over such period) of certain disputed claims resulting from a final determination or adjudication based upon the provisions of KSA 1999 Supp. 79-3606(kk) in existence prior to the effective date of the bill (July 1). An exception to the ten-year provision is provided for refunds of disputed claims finally determined or adjudicated in an amount of \$50,000 or less. These two provisions are applicable if and only if litigation is successful in challenging the status of subsection (kk) prior to its expansion by this bill.

Refunds associated with certain non-disputed claims relative to subsection (kk) are not to be paid until 510 days from the date such claims were filed and are not to include interest for that period, except that non-disputed refund claims in an amount of \$10,000 or less are to be paid immediately.

Totally eliminated are those sales and use tax refunds based upon the provisions of KSA 1999 Supp. 79-3606(n) pursuant to its interpretation by the Kansas Court of Appeals in the *In re Appeal of Water District No. 1 of Johnson County* case for tax paid prior to the effective date of the bill, except for refunds claimed by that particular water district (which are vested). **HB 2011**

2000 - Streamlined Sales Tax System for 21st Century

The "Streamlined Sales Tax System for 21st Century Act" authorizes the Department of Revenue to enter into discussions and agreements with other states in an effort to construct a system to collect taxes on transactions involving remote sellers. Specifically the bill:

- provides explicit findings by the Legislature that state and local tax systems should treat transactions in a competitively neutral manner to strengthen and preserve sales and use taxes as a vital revenue source; and that states working together have the opportunity to develop a simple, uniform, and fair system of taxation absent federal "mandates of interference."
- authorizes the Department to develop along with other states "joint requests of information" from potential public and private parties governing the specifications for a multi-state, voluntary, streamlined system of sales and use tax collection and administration.
- authorizes the Department to participate in a sales tax pilot project with other states and selected businesses to test methodologies for simplifying administration of the system.
- establishes a legislative oversight committee (the chairpersons and ranking members of standing tax committees) and requires the Department to report to the Governor, the President of the Senate, the Speaker of the House, the Senate Minority Leader, the House Minority Leader, and the oversight committee by March 1, 2001, on the status of the multi-state discussions and to recommend whether the state should participate in any proposed system arising out of such discussions. **SB 59**

2000 - Sales and Transient Guest Tax Information for Local Units

The provision expands local sales and transient guest tax information the Kansas Department of Revenue is required to provide to local units of government to include the location of each business within the requesting jurisdictions maintained by various retailers. **SB 59**

1999 - Sales Tax Exemption for Property Consumed in Production

The Tax Reform and Relief Act of 1999 expanded a sales tax exemption for property consumed in production to include property consumed within one year. Additional language clarifies that property which is consumed may include certain petroleum products, lubricants, chemicals, solvents, reagents, and catalysts. **[SB 45 Amends KSA 79-3603]**

1999 - Sales Tax Exemption on Purchases for the Medically Underserved

The Tax Reform and Relief Act of 1999 exempts from the sales tax purchases of nonprofit primary care clinics or health centers with the primary purpose of providing services to medically underserved individuals and families. The bill also exempts certain purchases made on behalf of such entities by contractors. **[SB 45 Amends KSA 79-3603]**

1998 - Tax Reduction and Reform; Sales Tax Exemptions

The Legislature provides for a number of additional sales tax exemptions:

- labor services associated with the reconstruction, remodeling, repair, or replacement of a residence
- all purchases of 501 (c)(3) religious organizations, provided the tangible personal property and services are used exclusively for religious purposes
- sales of aircraft used “directly or through an authorized agent” as certified or licensed carriers in interstate commerce
- all sales of machinery and equipment used directly and primarily for producing broadcast signals or the failure of which would cause broadcasting signals to cease, as well as sales of electricity essential or necessary for the purpose of producing a broadcast signal or the failure of which would cause broadcasting to cease
- all sales by or on behalf of not-for-profit organizations providing nonsectarian comprehensive multi-discipline youth development programs
- all purchases and sales by or on behalf of parent-teacher associations or organizations
- fees charged by certain humanitarian organizations exempt from property taxation pursuant to KSA 79-201 to allow participation by persons 18 years or younger in sports, games, or other recreational activities, as well as all dues charged by such organizations
- direct and indirect purchases of nonprofit zoos and nonprofit entities contracting to operate zoos
- sales of food for human consumption by a 501(c)(3) food distribution program which offers such food at a price below cost in exchange for the performance of community service
- dues charged by certain veterans' organizations [KSA 79-3603]

1998 - Sales Tax Exemption for Manufacturing Machinery and Equipment

The Kansas Retailers' Sales Tax Act is amended to provide sales tax exemptions for components of certain machines contributing to the manufacturing process, regardless of whether such components are "major" or not. The exemption for manufacturing machinery and equipment is further expanded by including repair and replacement parts and accessories. [KSA 79-3606(kk) now repealed]

1998 - Tax Reduction and Reform; Sales Tax Definition of Educational Institutions

The Legislature amends the sales tax law to define "educational institution" to include nonprofit schools, colleges, and universities that offer accredited postsecondary education, including a group of educational institutions that operates exclusively for an educational purpose, endowment associations and foundations, nonprofit athletic trusts and foundations, and nonprofit research trust funds and foundations. [KSA 79-3602]

1998 - Tax Reduction and Reform; Food Sales Tax Rebates

The food sales tax rebate program is expanded substantially and changed in a number of ways. The limitation of “total household income” of \$13,000 is replaced with a new limitation of “Kansas adjusted gross income” (KAGI) of \$25,000. Taxpayers can now claim the rebates on individual income tax forms as refundable credits or continue to claim the rebates by filing separately as provided under prior law. The amount of the rebates were changed such that \$60 was provided for every member of a qualifying household with KAGI of \$12,500 or less, and \$30 was provided for every member of a qualifying household with KAGI from \$12,501 to \$25,000. [KSA 79-3633]

1998 - Tax Reduction and Reform; Sales Tax Exemption Clarification

The sales tax law is amended to clarify that business machinery and equipment would qualify for the exemption regardless of how it was treated for federal income tax purposes. [KSA 79-3606]

1998 - Tax Reduction and Reform; Sales Tax Exemption Permit Authority

The Secretary of Revenue is authorized to adopt rules and regulations to provide for the issuance of permits to certain businesses that grant direct payment authority that allows certain purchases to be made without the payment of sales or use tax to the vendor or service provider and requires the permit holder to self-accrue state and local taxes and pay such taxes directly to the Department of Revenue. [KSA 79-3619]

1997 - Presumption of Good Faith

The Tax Equity Fairness Act of 1997 provides that a vendor be presumed to have accepted an exemption certificate or affidavit in good faith in the absence of evidence to the contrary. The new law outlines what constitutes good faith on the part of the retailer and provided for punishment under law for those who fraudulently seek sales tax exemption. [KSA 79-3651]

1997 - Political Subdivision Sales Tax Exemption Certificates

The Tax Equity Fairness Act of 1997 allows political subdivisions (and certain hospitals, schools, educational institutions, and the federal government) to obtain "agent status" and issue sales tax exemption certificates to their contractors. [KSA 79-3606e now repealed]

1997 - Sales and Transient Guest Tax on Accommodations Brokers

The Legislature makes "accommodations brokers" subject to sales and transient guest taxes to the same extent such taxes are applicable to the rental of hotel and motel rooms. [KSA 12-1696]

1995 - Repeal of Sales Tax on Labor Services and on Utilities Consumed in Production

The Legislature repeals the 2.5 percent sales tax on labor used for original construction and on utilities consumed in the production or manufacture of tangible personal property that was implemented June 1, 1992. The law became effective April 15, 1995. [KSA 79-3603]

1995 - Sales Tax Exemption for Nurseries

The operation of a nursery is classified as farming or ranching to provide those businesses eligibility for sales tax exemption on machinery and equipment. [KSA 79-3606]

1992 - Sales Tax raised

The School Finance Act raises the state sales tax from 4.25 percent to 4.9 percent. [KSA 79-3603]

1992 - Aquaculture and Christmas Tree Machinery

The Legislature passes a bill that amended a number of statutes by adding a definition of aquaculture, thus affording it the same tax treatment as agriculture and horticulture. The bill also establishes the Aquaculture Advisory Council and amends a number of statutes that affected the taxation of Christmas tree machinery and equipment. [KSA 47-1902 et seq.]

1992 - Repeal of Four Sales Tax Exemptions

The School Finance Act repeals four sales tax exemptions:

- interstate telephone and telegraph services
- residential intrastate telephone and telegraph services
- existing trade fixtures and equipment when purchased from a person ceasing business
- hotel and motel rooms rented for more than 28 consecutive days

These items became taxable at the new rate of 4.9 percent. [KSA 79-3602]

1992 - Sales Tax on Utilities Consumed and on Original Construction Services

The School Finance Act taxes the following previously exempt sales at 2.5 percent: electricity, gas, and water consumed in the production or manufacture of tangible personal property, and labor on original construction. **[KSA 79-3602 now repealed]**

1989 - Retail Sales Tax raised

A .25 percent increase in Kansas' retail sales tax is passed in conjunction with the 1989 State Highway Program. **[KSA 79-3603]**

1988 - Manufacturing Machinery and Equipment Exemption broadened

The sales tax exemption on manufacturing machinery and equipment, which had been allowed only for companies in enterprise zones, is expanded to allow the exemption regardless of location. Kansas had been the only state in the region (Missouri, Colorado, Nebraska and Oklahoma) with the tax. **[KSA 79-3606]**

1986 - Manufacturing Machinery and Equipment Refund; expenditure and job creation requirements imposed

The Kansas Retailers' Sales Tax Act is amended to require a taxpayer claiming a refund of sales tax on machinery and equipment used within an enterprise zone to show an expenditure of at least \$50,000 for the machinery and equipment, and to demonstrate the creation of two new full-time production positions for each \$50,000 of expenditure claimed for refund. **[KSA 79-3606 now repealed]**

1986 - Manufacturing Machinery and Equipment Refund made an exemption

An amendment to the Kansas Retailers' Sales Tax Act replaces the sales tax refund on machinery and equipment with a sales tax exemption on the same sales. **[KSA 79-3606]**

1986 - Retail Sales Tax increased

The Kansas retail sales tax is increased from 3 percent to 4 percent during the 1986 legislative session. **[KSA 79-3603]**

See Also:

1999 - Sales Tax Exemption for Grain Storage Facilities and Railroad Sidings, pg. 8
Generally - Kansas Enterprise Zone, pg. 96

*Oil And Gas Taxation***2001 – Kansas Income Tax Law**

Income Tax Credit for Certain Costs Associated with Plugging Abandoned Oil and Gas Wells is an incentive equivalent to 50 percent of expenditures incurred in plugging abandoned oil and gas wells. **[KSA 79-3221g and 79-32,199b]**

2000 - Severance Tax Exemptions

The Legislature makes two changes in the severance tax exemption for certain incremental production resulting from production enhancement projects. The changes are:

- That the "monthly rate of production decline" used in the determination of "base production" is equal to zero when a well or project has experienced no monthly decline during the 12-month period immediately prior to the commencement of the production enhancement project.
- That "base production" is equal to zero for wells or projects which may have produced during the preceding 12 months but which are not capable of production on the commencement date. **SB 410**

2000 - Oil and Gas Valuation Methodology

The Legislature clarifies legislative intent with respect to the methodology utilized to determine the valuation of producing oil and gas leases for property tax purposes. Specifically, the “primary and predominant” consideration in such determination of value is deemed—retroactively to have been and prospectively to be—the “actual value of oil and gas production severed from the earth.” **HB 2823**

1999 - Oil and Gas Tax Relief

The Tax Reform and Relief Act of 1999 provides refundable income tax credits for a portion of property taxes timely paid on certain low-producing oil leases. Oil leases with an average daily production per well of 15 barrels per day or less are eligible for the credits. For property tax year 1998, the credits were set at 75 percent of the timely paid property taxes. Beginning with property tax year 1999, the credits are set at 50 percent if the price per barrel promulgated in the Oil and Gas Appraisal Guide for the applicable tax year was \$16 or less. If such price was more than \$16, no credits are allowed. Credits are not allowed for property taxes paid on oil and gas machinery and equipment to the extent that credits are claimed pursuant to KSA 1998 Supp. 79-32,206. **[SB 45, New Sec. 2 et seq.]**

1999 - Economic Development Exemptions for Oil and Gas Properties

House Concurrent Resolution 5002 proposes an amendment to Article 11, Section 13 of the Kansas Constitution dealing with property tax exemption for economic development (EDX). The amendment would have added property used in conjunction with the development, exploration, and production of oil and gas to the list of purposes for which EDXs may be granted. Under current law, EDXs may be granted only for property used for manufacturing, research and development, or warehousing of goods and commodities for interstate commerce. This constitutional amendment was placed on the April 6, 1999 statewide ballot but failed to receive the votes necessary to amend the Constitution. **[HCR 5002, 1999 Session Laws]**

1998 - Tax Reduction and Reform; Severance Tax Exemptions Expanded

The average daily production below which oil severance tax exemptions apply is expanded to include wells of all depths, including those using tertiary-recovery and water-flood processes. The low-production threshold for gas wells is raised from \$81 to \$87 per day. Additional language applicable to both oil and gas provided a severance tax exemption for seven years for incremental production resulting from production enhancement projects. **[KSA 79-4217]**

1998 - Property Tax Exemption for Oil Leases

The property tax exemption for oil leases (other than royalty interests) is expanded such that wells with a completion depth of less than 2,000 feet and an average daily production of three barrels or less became exempt from property tax (up from two barrels per day under prior law), and wells with a completion depth of 2,000 feet or more and an average daily production of five barrels or less became exempt from property tax (up from three barrels per day under prior law). **[KSA 79-201f]**

1998 - Income Tax Credit for Plugging Wells

The bill allows for nonrefundable income tax credits for any taxable year commencing after December 31, 1997, for expenditures made for the purpose of plugging any abandoned oil or gas well. The plugging must be in accordance with rules and regulations of the State Corporation Commission and the well must have been drilled prior to January 1, 1970. The credit can not exceed 50 percent of the expenditure for plugging. The credit could be carried forward indefinitely if the credit could not be completely used in one tax year. The total amount of the credit allowed statewide could not exceed \$250,000 in any fiscal year and would be allowed to those who first apply for the credit. The provision establishing this tax credit expires July 1, 2000. **[KSA 55-1005]**

1998 - Local Severance Tax Prohibition

The Legislature amends the to prohibit counties from levying a severance tax and nullifying any resolution imposing such a tax already adopted by any county. [KSA 19-101a]

1997 - Severance Tax Amendments

The severance tax law is amended to permit the Director of Taxation to determine the value of oil or gas not sold or stored when removed from the lease based on the cash price paid to one or more producers for the oil or gas, instead of using the first sale price. The bill also codifies that severance tax appeals go through the same appeals process as other excise taxes. [KSA 79-4216]

1994 - Property Tax Credit Allowed on Natural Gas raised

The Legislature passes a law to phase in an expansion in the property tax credit allowed in the severance tax law on natural gas from 1 percent to 3.67 percent. This reduces the effective rate from 7 percent to 4.33 percent, the same as applied to oil. The act was passed by overriding the Governor's veto. [KSA 79-4219]

1994 - Sales Tax Exemption for Utilities Consumed in Severing Oil

The Kansas Retailers' Sales Tax Act is amended to exempt utilities consumed in the severing of crude oil from the 2.5 percent sales tax enacted in 1992. [KSA 79-3606]

1994 - Oil and Gas from "Inactive" Wells; Severance Tax Exemption

The Legislature exempts from the severance tax all production of oil or gas from "three-year inactive wells" for a period of ten years. [KSA 79-4217]

1992 - Property Tax Classification

Voters approve a constitutional amendment imposing a new property tax classification schedule. The new schedule, which becomes effective for tax year 1993, among other things lowered the assessment level on mineral leaseholds on low-producing oil and gas wells (less than 5 barrels per day or 100 mcf per day) from 30 percent to 25 percent. [KS Const. Art. 11, sec. 1]

1992 - Working Interests in Low-Producing Oil Wells; property tax exemption

The Legislature exempts from property tax oil leases with an average daily production of no more than two barrels, or three barrels per day or less for wells with a depth of 2,000 or more. [KSA 79-201t]

See Also:

1999 - Resolution Required on Projects funded from Increases in Property Tax, pg. 71

1999 - Sales Tax Exemption for Property Consumed in Production, pg. 83

1998 - Tax Reduction and Reform; Tax Credits for Machinery and Equipment Property Taxes
Paid, pg. 72

1992 - Property Tax Classification, pg. 74

Inheritance and Estate Tax

2003 - Succession and Estate Taxes

The bill amends the law so that the Kansas estate tax returns are required to be filed on or before the date federal estate tax returns are required to be filed, except that the extensions may be provided upon a showing of good cause. Failure to timely file a return or pay any estate tax liability due under the act will result in a penalty assessment of 1 percent of the unpaid balance of the tax due for each month, up to 24 percent, plus interest as prescribed by subsection (a) of KSA 79-2968 from the date the tax was due until paid. If the Director of Taxation were to determine that underpayment of tax was due to a failure to have

made a reasonable attempt to comply with the act, an additional 25 percent penalty of the unpaid balance of the tax would be levied. Failure to file a return or the filing of an incorrect or insufficient return will trigger a provision requiring the Director of Taxation to estimate the value of the taxable estate and assess a 50 percent penalty thereon, plus interest. Any personal representative acting with fraudulent intent is subject to a penalty of 100 percent of the tax due, plus interest. Personal representatives intentionally signing fraudulent returns are deemed guilty of a felony and subject to imprisonment of up to five years. **[KSA 79-3666 through 79-3682]**

2002- Revenue Enhancements

The bill imposes an inheritance tax on class C recipients (people other than direct lineal ascendants or descendants and brothers and sisters). The withholding tax provision was brought into accordance with federal law. **[KSA 79-15,127]**

2001 – Estate Tax Apportionment Act

The Legislature enacts the Kansas Estate Tax Apportionment Act. It establishes a default rule for the method of payment of federal and state estate taxes. Each person interested in the estate pays a proportionate part of the total tax. A decedent's direction as to the manner of apportionment is limited to the tax on the property passing under the instrument containing the direction, unless the document specifically provides that is to apply to other property. The bill provides that certain "qualified family owned business interests" may be entitled under IRC Section 2057 to a deduction from the gross estate up to \$625,000. In order to assure that the qualifying property and its owners receive the benefit of this deduction, a computation is used which is identical to that applied to 2032A special use valuation property. In certain cases, a qualifying estate can elect to pay the estate tax attributable to the decedent's interest in a closely held business in up to ten annual installments with the first installment not due until five years after the estate tax return is filed. Interest is charged on the unpaid balance of the tax due until all installments are paid. **[KSA 79-15,126]**

2001 – Estate Tax Act—Outstanding Liability

The Legislature amends the Kansas Estate Tax Act to eliminate any outstanding inheritance tax liability as of July 1, 2008, for those estates for which no return has been filed by that date. **SB 41**

2000 - Kansas Estate Tax Act amended

The Kansas Estate Tax Act is amended to clarify, among other things:

- a surviving spouse will not be personally liable for unpaid taxes to the extent that a marital deduction was allowed on the federal estate tax return
- the prior process for the collection of Kansas estate taxes is deleted;
- the prior provision by which an estate has the right to redeem real estate is deleted
- certain generation skipping transfer tax provisions are changed to parallel federal laws
- a personal representative of a surviving spouse's estate is allowed to recover taxes owed by the estate because qualified terminable interest property was included in the estate of the surviving spouse
- a personal representative has the right of reimbursement for taxes attributable to the inclusion of certain (transfers with a retained life estate) property in the decedent's taxable estate **HB 2672**

1998 - Tax Reduction and Reform; Inheritance Tax Repealed

The Kansas Inheritance Tax Act is repealed and replaced with the Kansas Estate Tax Act, effective for the estates of all decedents dying after June 30, 1998. The "pick up" estate tax was made an amount equal to the maximum credit allowed by Section 2011 of the Internal Revenue Code against the tax that otherwise would be imposed on the transfer of the taxable estate of the decedent, multiplied by a fraction, the

numerator of which was the Kansas gross estate value and the denominator of which was the total gross estate value.

Under such a pick-up estate tax, estates with a value of \$625,000 would incur no liability during the second half of 1998 (with this amount increasing to \$1 million in 2006 pursuant to the 1997 federal law change). An additional federal provision enacted in 1997 allows family-owned farms and businesses an exclusion of \$1.3 million (an additional \$675,000 in 1998, for example) if the farm or business was at least 50 percent of the estate and the heirs materially participate in the business for at least ten years after the decedent's death. **[KSA 79-1541 et seq. now repealed]**

Taxation Administration

2003 - State Board of Tax Appeals Provisions.

The bill makes several statutory adjustments relative to the State Board of Tax Appeals (SBOTA). The number of members is reduced from five to three, effective January 15, 2003. The bill provides that no successors be appointed for the two SBOTA members whose terms expired on that date. The bill amends the requirement so that now no more than one member can be from any one congressional district. It also amends the law so that only one member must either have been regularly admitted to practice law or have been engaged in the practice of law for at least five years or have been a certified public accountant who had maintained registration as an active attorney; a second member will have to be a certified public accountant.

The bill also allows SBOTA to charge and collect filing fees through the establishment of rules and regulations. No filing fees may be imposed with regard to single-family residential property. In addition, the bill limits the fee for not-for-profit organizations to \$10 or less for property with a valuation of not more than \$100,000. **[KSA 79-3666 through 79-3682]**

2001 – Transient Guest Tax—Information Sharing

The Legislature authorizes the Director of Taxation to provide monthly transient guest tax reports to cities located within counties imposing such taxes and to counties that are located in cities imposing such taxes. City and county officials receiving such information are authorized to divulge it solely to financial officers designated by governing bodies. **HB 2007**

2001 – Property Tax Exemption

The Legislature amends the property tax exemption for farm storage and drying equipment to remove a requirement that property must be "used exclusively" for the storage or drying of enumerated grains in order to qualify for the exemption. This change has the effect of expanding the exemption to include property that is acquired through a lease agreement. **SB 138**

2000 - Written Explanation of Property Tax Appeals

The Legislature amends the property tax valuation appeals and payment-under-protest procedures to require that decisions of the Small Claims Division of SBOTA be accompanied by "a written explanation of the reasoning" upon which the decisions are based. A similar requirement was added relative to decisions made by county-appointed hearing officers or hearing panels. Finally, the written explanation requirement also applies to determinations made by county appraisers after informal valuation appeals. **SB 12**

2000 - Appeals Procedure Changes

The Legislature makes five amendments to the statutes governing operating procedures of the State Board of Tax Appeals (SBOTA).

- Allow SBOTA to publish its own orders. Prior law required that the Department of Administration Division of Printing publish the Board's orders.
- Requires owners of single-family residential properties to appeal to the Small Claims Division of SBOTA as a prerequisite to appealing to the full board. Prior law allowed the property owner to choose whether to appeal to the Small Claims Division or directly to the Regular Division of SBOTA.
- Removes the authority of the Small Claims Division to hear tax grievance applications, and instead require that these applications go to the Regular Division.
- Clarifies that tax representatives and tax agents may appear at Small Claims hearings on behalf of taxpayers. The bill also clarifies that a county or unified government may be represented by the county/unified government appraiser, designee of the county/unified government appraiser, or the county/unified government attorney or counselor.
- Allows the taxpayer to waive the requirement that Small Claims hearings be conducted within 60 days after the appeal is filed with the Small Claims Division. **SB 12**

1998 - State Board of Tax Appeals Reform

The Legislature makes a number of changes in statutory requirements relating to the Kansas State Board of Tax Appeals (SBOTA). Among them, after January 15, 1999, three of the five members are required to have been "actively practicing" law in Kansas for at least five years. (Prior law required members to be selected with special reference to training and experience for duties imposed by the SBOTA statutes.) [KSA 74-2433]

1998 - Publishing of SBOTA Decisions

The Legislature requires that decisions of SBOTA deemed to be of sufficient importance be published. [KSA 74-2433]

1998 - Executive Director for SBOTA

The Legislature requires SBOTA to appoint, subject to approval by the Governor, an executive director. The executive director, who was required to have familiarity with the tax appeals process, would perform such duties as directed by SBOTA. One of the executive directors' duties is to publish SBOTA decisions. [KSA 74-2433]

1998 - Small Claims Division within SBOTA

The Legislature passes a bill which established one division within SBOTA as the Small Claims Division (SCD) as of January 1, 1999. Hearing officers appointed by the executive director will have authority to hear and decide SCD cases. Taxpayers can now elect to appeal decisions, findings, orders, or rulings of the Kansas Director of Taxation to the SCD when the amount of tax in controversy does not exceed \$15,000, or, in the case of property tax valuation disputes, when the property in question is single-family residential property or the appraised valuation of the property in question is less than \$2,000,000, except that no cases involving agricultural use value may be considered in the SCD. Taxpayers can now elect to skip the local hearing officer step in the appeals process and move directly to the SCD. The bill requires that SCD hearings must be conducted within 60 days after an appeal is filed, and hearing officers must render decisions within 30 days of the hearings. Further, such hearings must be held in the counties where the property was located or in adjacent counties. [KSA 79-251]

1997 - Interest Rate Equalization for Overpayments

The Tax Equity Fairness Act of 1997 provides that interest for tax overpayments of sales and income taxes will be payable at the same rate established for delinquent or unpaid taxes pursuant to KSA 79-2968 (the federal underpayment rate plus 1 percent). That new interest rate becomes effective for all taxable

periods commencing after Dec. 31, 1997. The Act also requires that interest be paid on all sales tax overpayments from all taxable periods subject to assessment beginning Jan. 1, 1998. Prior law provided for 6 percent interest on income tax overpayments, and that rate already had been statutorily set to change to the federally determined rate on Jan. 1, 1998. Interest on sales tax overpayments was not provided under prior law. [KSA 79-2968, 79-32,105, and 79-3609]

1997 - Estimated Tax Underpayment Penalty

The Tax Equity Fairness Act of 1997 amends the income tax estimated tax provisions to provide that no penalty will be imposed for underpayment if: 1) no return was required to be filed for the prior year, or 2) the liability for the prior year was less than \$200 for an individual or \$500 for a corporation. [KSA 79-32,107]

1997 - Administrative Ruling Publication

The Tax Equity Fairness Act of 1997 requires the Secretary of Revenue (beginning Jan. 1, 1998) to make available in a medium "accessible to all taxpayers" all administrative rulings affecting the duties and responsibilities of taxpayers, including revenue notices, revenue rulings, information guides, policy directives, private letter rulings, and Property Valuation Division directives. The Secretary is also required to begin publishing a description in the Kansas Register within 30 days of each administrative ruling. [KSA 79-2974]

1997 - Informal Reconsideration Conference

The Tax Equity Fairness Act of 1997 provides taxpayers additional rights regarding tax appeals. Under prior law, income and excise tax appeals required formal evidentiary hearings in front of the Director of Taxation which had to be conducted in accordance with the Kansas Administrative Procedures Act (KAPA). That law was amended to eliminate the formal-hearing requirement, replacing it with an "informal" conference conducted by the Secretary or his designee. The Act allows taxpayers to designate attorneys, certified public accountants, or any other person to represent them or provide information at the conferences. The Act also requires that a final determination be made within 270 days, and would constitute final agency action subject to administrative review by SBOTA. If a final determination is not rendered within 270 days, the taxpayer then may appeal directly to SBOTA. [KSA 77-548 et seq., 74-2438, 79-3226, 79-3420, and 79-3610]

1997 - Private Delivery Services

The Tax Equity Fairness Act of 1997 requires the Secretary of Revenue to allow the use of private delivery services for income or excise tax remittances, and requires that the determination of "timely filing" regarding such services to be made in the same manner and to the same extent as provided for in federal law. [KSA 79-2969]

1997 - Employee Performance Evaluations

The Tax Equity Fairness Act of 1997 directs that Department of Revenue employee evaluations can not be based on a production quota system, on total assessments issued, on total amount or percentage of taxes collected from settlements or other means before final judgment. This provision broadens an existing clause in the 1989 Taxpayer Bill of Rights. [KSA 79-3268]

1997 - Statutory Conformity with Classification Amendment

The Tax Equity Fairness Act of 1997 brings the language and assessment rates relating to classes of property into conformity with language in the Kansas Constitution. [KSA 79-1439]

1997 - Confidentiality Requirements

The Tax Equity Fairness Act of 1997 mandates that confidentiality requirements for Department of Revenue personnel be extended to any person or entity contracting with the Department. [KSA 79-3234]

1997 - Sales Tax Audit Reform

The Tax Equity Fairness Act of 1997 requires the Secretary of Revenue to promulgate rules and directives to provide taxpayers the rights to:

- a copy of all work-papers compiled as a result of sales or use tax audits
- a personal or telephone exit interview after completion of audit field work and audit desk work
- request that the Department consider taxpayers' convenience with respect to normal hours of operation and exhaustion of administrative personnel resources. [KSA 79-3652]

General Tax Law

2004 - Tax Law Changes—Various

The bill makes a number of changes in various state and local tax laws.

The bill:

- Amends KSA 79-412 to require the person recording or filing a lease agreement to include the words "building on leased ground" on the first page of a lease agreement, when improvements exist which are owned by entities other than the landowner. The legislation further states failure to include these words may result in the improvements being assessed to the landowner.
- Provides that taxes collected on additional valuation added as a result of penalties for the late filing of personal property and oil and gas renditions need not be distributed by county treasurers to taxing subdivisions when such taxes have been paid under protest until such time as the appeals are final.
- Provides that certain contractors who had entered into written agreements prior to July 1, 2003—the effective date of the expansion of the local use tax base—to furnish tangible personal property that becomes part of completed improvements relative to the construction, reconstruction, restoration, replacement, repair, equipment or improvement of a bridge or highway, street, road, alley, sewer, sewage system, water line, or water system, are entitled to an exemption from the local use tax if proof of the written agreements is submitted to the Director of Taxation prior to July 10, 2004.
- Authorizes cities to establish redevelopment districts to finance the investigation and remediation of certain floodplains. Cities are authorized to establish an annual floodplain increment in property taxes, provided that the increment does not exceed 20 percent of the amount of taxes produced in the year the redevelopment districts were first established. Provides a motor fuel tax exemption for the sale of kerosene used as a fuel to power antique steam motor vehicles first manufactured prior to 1940.
- Renews special local sales tax rate authority of 0.5 percent for Clay County for additional five-year periods, subject to voter approval.
- Makes clarifying changes to language in the motor fuel tax refund statute, KSA 79-3458, regarding necessary documentation by authorizing invoices or self generated lists approved by the Director of Taxation; and by further eliminating the prior requirement that only hard-copy original invoices are acceptable for documentation purposes.
- Replaces the formal appeal process for drug tax assessments, previously under the Kansas Administrative Procedures Act (KAPA), with an informal conference process similar to that used for income and sales tax administrative appeals.
- Requires, as of January 1, 2005, organizations with entity-based sales tax exemptions to apply for identification numbers from the Department of Revenue which subsequently will be required to be shown on exemption certificates presented to retailers.

- Amends the definition of “residential” for property tax classification purposes to provide that such term includes land and improvements used to store household goods and personal effects not used for the production of income, even when such land and improvements are not contiguous to land accommodating a dwelling or home.
- Authorizes an increase in the bonded indebtedness limitation for Franklin County from 3 percent to 30 percent of the assessed value of all tangible taxable property in the county.
- Requires the suspension or revocation of vehicle dealers’ licenses when such dealers are delinquent in the submission of sales or withholding taxes for three consecutive months.
- Provides that the property tax exemption for household goods and personal effects is extended to such items used in the home for “bed and breakfast home purposes” as defined in KSA 79-1439.
- Amends KSA 79-1439 to clarify that residential real property used for bed and breakfast home purposes is eligible for the 11.5 assessment rate applicable to other residential property. A bed and breakfast home is defined to include residences with five or fewer bedrooms available for overnight guests who stay for not more than 28 consecutive days and for which there is compliance with all zoning and other ordinances or laws pertaining to facilities which lodge and feed guests.
- Increases the mineral severance tax minimum production exemption renewal period from one year to two years on oil wells and oil production leases. The bill also adds the definition of “lease number”, *i.e.*, the number assigned by the director of taxation to identify each well, lease, or combination of wells within a lease.
- Amends an exemption relating to not-for-profit cooperative housing projects approved by the US Department of Housing and Urban Development (HUD). Under the new language, projects obtaining financing from entities other than HUD will be able to retain their property tax exemption, provided that the articles of incorporation or by-laws are amended to require that the corporations will continue to operate in compliance with certain HUD affordability income guidelines. **Senate Sub. for HB 2375**

2002 – Taxpayer Fairness Act of 2002

- Requirement that the Department of Revenue correspondence regarding tax assessments contain detailed, clear and accurate explanations of the assessments demanded, including specific information on the tax and tax year in question, as well as on penalties and interest.
- Clarifies requirements and definitions for third party or other representatives of Kansas taxpayers.
- Requires that the Department of Revenue waive civil penalties upon the finding of any circumstance allowing waiver of civil penalties pursuant to the provisions of the federal Internal Revenue Code.
- Requires closing letters to be issued within 30 days upon the resolution of assessments to taxpayers or taxpayers’ representatives.
- Requires the Department of Revenue to notify in writing persons who are the subject of tax warrant filings. The notification will have to be delivered within five business days of the date the warrant is filed and is required to include in simple and nontechnical terms the amount of unpaid taxes, information on the administrative appeals process available to the taxpayer, and on the provisions of law relating to the release of warrants on property.
- Amends KSA 79-3226 to change a provision prohibiting additional individual income tax assessments in amounts of less than \$5. Under the new language, additional tax amounts of up to \$100 may be waived when the Department has determined that administration and collection costs involved would not warrant the efforts. **[KSA 79-3268e through 79-3268h]**

Chapter 12

Tax Incentives

High Performance Firms Incentives Program (HPIP)

2000 - Modification of HPIP Program

The statutes governing the HPIP program are amended to:

- Implement the North American Industry Classification System (NAICS) to replace the current Standard Industrial Classification (SIC) code as the standard in determining that a company pays a higher than average wage to qualify for participation in the program.
- Clarify that businesses are to use a 40-hour work week when converting part-time employees to full-time equivalents.
- Require disclosure, upon request, of pertinent information regarding wage and other confidential information provided by businesses participating in the program to the Legislative Division of Post Audit.
- Require the taxpayer to file a certificate of intent to invest in a qualified business facility in a form satisfactory to the Secretary of Commerce and Housing. **HB 2929**

1999 - HPIP program Expanded to Include Wholesalers

The HPIP statute was to allow distributors of durable goods and distributors of nondurable goods (SIC Code 50 & 51) access to HPIP incentives. This was recommended by Kansas, Inc. in a 1998 evaluation of the program. The bill also clarifies that a business may be assigned an SIC code according to the primary business activity at a single location rather than the business as a whole. **[SB 179 Amends 74-50,131 et seq.]**

1998 - HPIP Credits Authorized Against Premium Tax and Privilege Fees

The Legislature authorizes eligible insurance companies and financial institutions to claim a HPIP tax credits against their premium tax and privilege fees. Under prior law, only eligible companies with corporate income tax liability could qualify for such credits. **[KSA 74-50,131 et seq.]**

1997 - Above Average Wage Determination changed for HPIP eligibility

The Legislature modifies the way the above average wage criteria would be determined for a business to qualify for HPIP incentives. First, a firm could now meet a new wage eligibility test if it paid at least 1.5 times the statewide average wage. Second, a business located within the metropolitan county of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, or Wyandotte be compared only to other businesses within that county. For a business located in any other county, the firm's wages would be compared to like businesses within an aggregation of counties representing their region of the state. This aggregation would be determined by the Kansas Department of Commerce & Housing. Under prior law, all businesses were compared to like businesses within the county in which they were located with no provision for regional aggregations. The bill also changes the date of Kansas, Inc.'s evaluation of the program from FY 1997 to FY 1998 and specified additional factors to be considered in the program analysis. **[KSA 74-50,131 et seq.]**

1995 - Firms Employing over 500 added to those eligible for HPIP

The scope of the HPIP program is expanded to extend eligibility to firms employing over 500 full time equivalent employees. **[KSA 74-50,131 et seq.]**

1994 - Service Sector added to those eligible for HPIP

As a result of a Kansas, Inc. recommendation, export-oriented service sector firms, other non-manufacturing export-oriented firms, as well as national and regional headquarters and back-office operations, became eligible for benefits under the program. [KSA 74-50,131 et seq.]

1993 - High Performance Firms Incentives Program (HPIP)

Kansas, Inc. proposed a new incentive program which provides sales tax relief and income tax credits to firms that invest either 2 percent of their payroll on training or participate in one of the state's workforce training programs. Qualified firms or manufacturers with less than 500 employees paying either above average wages for that SIC code in the county where they are located or be the sole SIC of that kind in the county. For qualifying firms, benefits of the HPIP program include: a) a Workforce Training Tax Credit on training expenditures above 2 percent of total payroll (limited to \$50,000); b) Sales Tax Exemption on purchases related to new investment in a facility; c) a 10 percent Investment Tax Credit on capital expenditures exceeding \$50,000; d) matching funds of up to \$12,500 for up to 50 percent of the costs of approved consulting services and e) priority consideration for business assistance programs with state agencies. [KSA 74-50,131 et seq.]

Kansas Enterprise Zone

2000 - Eligibility for Sales Tax Exemption Under Enterprise Zone for Lessors

The Kansas Enterprise Zone Act is amended to specify the conditions under which an owner of a leased building would be eligible for a sales tax exemption when constructing, reconstructing, remodeling, or enlarging the building. The amendment clarifies that the exemption applies to only the portion of a building that will be leased by a qualified business for a period of five years or more. The bill also prescribes two methods under which a portion of the building and the corresponding construction costs may be apportioned for calculation of the sales tax exemption. The owner of the building may elect the calculation formula. **HB 2929**

1998 - Credits Authorized Against Premium Tax and Privilege Fees

The Legislature authorizes eligible insurance companies and financial institutions to claim investment tax credits against premium tax and privilege fees for qualified investments under the Kansas Enterprise Zone Act. [KSA 79-32,153]

1997 - Kansas Enterprise Zone Act

The Legislature expands the definition of "non-manufacturing business" in the Kansas Enterprise Zone Act to include any enterprise, designated under the standard industrial classification code as an auto racetrack operation, and which operates a racetrack in Kansas realizing a cost of not less than \$100 million in capital improvements. [KSA 74-50,114]

1996 - "La Siesta" Bill Repealed

The Legislature repeals a section of the Kansas Enterprise Zone Act that allowed a taxpayer to claim a job expansion and investment tax credit if the qualified business facility was already in an area not yet declared to be an enterprise zone. The taxpayer was required to have a reasonable basis to believe that the city would declare the area an enterprise zone. Such credit had to be claimed in tax year 1995. [KSA 79-32,160d now repealed]

1996 - Enterprise Zone Act amended

The Legislature amends the Kansas Enterprise Zone Act to allow businesses to offset 100 percent of their Kansas income tax liability with E-Zone credits. It also includes a definition for ancillary support facilities and headquarters which looks at the function the facility plays rather than the type of business

the facility. The bill also amends the Act to allow insurance companies and financial institutions that pay privilege tax, to be eligible for job expansion and investment tax credits. [KSA 79-32,160a and 79-32,153]

1994 - Enterprise Zone Statute Clarified

The Act is amended to add a definition for "Corporate Headquarters" and clarify the definitions for "Non-manufacturing Business" and "Retail Business." This amendment was proposed by Kansas, Inc. to correct misinterpretations of the law that had resulted in many companies being denied enterprise zone benefits. [KSA 74-50,114 et seq.]

1994 - Sales Tax Exemptions for Lessors

Another amendment proposed by Kansas, Inc. and passed by the Legislature modifies KSA 74-50,115 to permit contractors to receive a sales tax exemption certificate under the Kansas Enterprise Zone Act when constructing, reconstructing, remodeling, or enlarging a facility to be leased to a business that would be eligible for the sales tax exemption if it had constructed, reconstructed, remodeled, or enlarged the facility itself. [KSA 74-50,114 et seq.]

1992 - Enterprise Zone Program Revamped

The Legislature enacts a new Kansas Enterprise Zone Act which reconfigures the original program established pursuant to KSA 12-17,107 et seq. In contrast to the earlier program, the new program links tax benefits to the type of business meeting certain qualifications. Geographical enterprise zones established in the earlier program were eliminated and enterprise zone benefits were extended statewide with enhanced levels of benefits available in areas meeting the definition of a non-metropolitan area and certified as such by the Kansas Department of Commerce & Housing. [KSA 74-50,113 et seq.]

1989 - Enterprise Zone Reporting Requirements

The Legislature places a reporting requirement on companies using any of the credits available through an enterprise zone. This information is requested in the business's income tax return and is provided to the Department of Commerce for evaluation. [KSA 12-17, 113 now repealed]

1986 - Authority for County Enterprise Zones

Counties are given the authority to establish county enterprise zones. The previous law allowed only cities to apply for enterprise zone designation from the Department of Commerce. The bill also provides for city industrial parks existing prior to the effective date of the act and located outside the city limits to be included as part of the designated areas. [KSA 12-17,107 et seq. now repealed]

1983 - Kansas Enterprise Zone Act amended

An amendment to the Kansas Enterprise Zone Act requires cities to offer local incentives, and requires that certain additional documentation be submitted to the Department of Commerce to receive certification. The amendment also limits the area that can be designated an Enterprise Zone to no more than 25 percent of the land area of the incorporated city and limited the population housed in the zone to no more than 25 percent of the city's population. [KSA 12-17,107 et seq. now repealed]

1982 - Kansas Enterprise Zone Act

The Kansas Legislature establishes the Kansas Enterprise Zone Act, providing a city with the ability to designate a portion of its area as an enterprise zone. Businesses that locate within the zone will receive a sales tax refund on tangible property and services associated with a project which accomplished the construction, expansion, or rehabilitation of a business facility, and which created net new jobs. In addition, job creation and investment tax credits are provided if the project created at least two net new jobs. [KSA 12-17,107 et seq. now repealed]

Property Tax Abatement

1998 - Local Property Tax Exemptions

The Legislature expands a property tax exemption for property owned by local units of government (or being acquired by local units pursuant to lease-purchase agreements) when such property is utilized to provide office space for certain health care providers. Licensed psychologists are added to the list of providers, which include persons licensed to practice medicine and surgery or osteopathic medicine; persons licensed to practice dentistry; persons licensed to practice optometry; and persons licensed to practice podiatry. **[KSA 79-201a now repealed]**

1998 - IRB and EDX Exemptions

With respect to locally-granted IRB and EDX property tax exemptions, all such exemptions are deemed approved unless a hearing was scheduled by SBOTA within 30 days, and any such hearing was required to be held within 90 days. The amount of time parties seeking exemption have to file motions for reconsideration is extended from 15 to 30 days. **[KSA 79-213]**

1998 - Resolutions or Ordinances Required

Cities and counties seeking to grant EDXs are mandated to adopt resolutions or ordinances stipulating that:

- the property was to be used exclusively for one of the purposes outlined in Section 13 of Article 11 of the Kansas Constitution
- if the business was relocating from elsewhere within Kansas, the Secretary of Commerce & Housing has approved the exemption based upon a finding that such relocation was necessary to prevent the business from leaving the state (A prior statute prohibiting EDX's being granted for personal property absent a determination that jobs are retained in Kansas was repealed.) **[KSA 79-251]**

1998 - EDX Exemptions Application Preparation

The Department of Commerce & Housing is required to provide property owners information and assistance sufficient to allow the preparation of proper requests for exemption. **[KSA 79- 213]**

1994 - Restrictions on IRB Abatements

Legislation is passed that eliminates the ability of cities and counties to grant property tax exemptions associated with industrial revenue bonds (IRBs) for retail firms classified under standard industrial classification codes 52 through 59. IRB exemptions on facilities or equipment used exclusively to house the headquarters or back-office operations of retail enterprises is still authorized. The amendment also requires cities and counties to conduct public hearings and a cost-benefit analysis prior to granting property tax exemptions in connection with the issuance of IRBs, and requires that the cost-benefit analysis for IRB exemptions and constitutional abatements include the effect of the proposed exemption or abatement on state revenues as well as local revenues. **[KSA 79-210 and 79-251 et seq.]**

1990 - Annual Affidavit that Exempt Property Still Meets Criteria

The Legislature requires all owners of EDX exempt property to file (with the assessing office) annual written statements that the property still meets the criteria under which the abatement was granted. **[KSA 79-210]**

1990 - Legislative Restrictions on Constitutional Property Tax Abatements

The Legislature requires all city and county governing bodies to develop a formal procedure for reviewing requests for EDX abatements. The law requires all cities or counties wishing to grant property

tax abatements to: a) adopt official policies and procedures including a cost-benefit analysis b) adopt an official method to monitor the grantee's compliance with the terms of the exemption c) conduct a public hearing on the proposed abatement. [KSA 79-251]

1990 - Property Tax Exemption for Rented or Leased Property

The Legislature allows that buildings and land that are leased or rented and are integrally associated with other property exempted under EDX authority, must be used exclusively for the same exempt purpose for which the exemption was granted for the associated property. [KSA 79-221]

1990 - Property Tax Abatement Essentially Restricted to Business Retaining Jobs

This statute restricts government bodies from granting EDX abatement to companies unless the abatement was required to retain jobs in the state. [KSA 79-252 now repealed]

1989 - Property Leased or Rented to the State or Municipality; non-eligibility for abatement

The Legislature amends the law to specifically make property owned by a private person or entity that was leased or rented to the State or any municipality ineligible for property tax abatement. [KSA 79-213]

1988 - Restrictions Against Property Tax Abatement; swine confinement facilities

The Legislature amends the statute that restricts corporate poultry and rabbit confinement facilities from receiving property tax abatement to include that same restriction against corporate swine confinement facilities. A 1994 amendment changed the words "swine confinement facilities" to "swine production facilities." In addition, this later amendment restricted these type facilities that are owned by limited liability companies also. [KSA 79-250]

1986 - Constitutional Property Tax Abatement (EDX)

In August 1986, the voters approved a constitutional amendment that gave city and county governing bodies the authority to exempt from all ad valorem taxation, property belonging to manufacturers, interstate commerce companies, or research and development companies for the purpose of economic development. [KS Const. Art. 11, sec. 13]

Research and Development Credit

1996 - Research and Development Tax Credit extended

The research and development credit is extended by the Legislature to include tax years commencing before January 1, 2001. [KSA 79-32,182]

1994 - Research and Development Tax Credit amended

The Legislature extends the sunset provision for the research and development tax credit by two years, from December 31, 1993 to December 31, 1995. Kansas, Inc. is directed to undertake an evaluation of its effectiveness and present the results and recommendations for its continuation or modification to the Legislature. [KSA 79-32,182]

1986 - Research and Development Tax Credit

The Legislature passes a law allowing businesses an income tax credit equal to 6.5 percent of a company's investment in research and development above its previous year's expenditure. The next year, the language was changed from "investment" to "funds expended" which allowed for sharing of credits in the case of limited partnerships and allowed for carry-over of credits. [KSA 79-32,182]

Other Tax Incentives and Issues

2003 - Tax Amnesty

A tax amnesty is provided under certain circumstances that would forgive penalties and interest assessed on certain unpaid taxes if the outstanding liability is paid in full from October 1, 2003, to November 30, 2003. Included in the amnesty provisions are financial institution privilege taxes; estate taxes; income taxes; withholding and estimated taxes; cigarette and tobacco products taxes; sales and use taxes; liquor enforcement taxes; liquor drink taxes; and severance taxes. The amnesty for income and privilege taxes is relative to liabilities for tax periods ending on or before December 31, 2001. For all other taxes, the amnesty is for tax periods ending on or before December 31, 2002.

The amnesty provisions are not applicable if any of the following have occurred on or after February 6, 2003:

- The taxpayer has received notice of the commencement of an audit
- An audit is in progress
- The taxpayer has received notice of an assessment pursuant to KSA 79-2971 or 79-3643
- The taxpayer has received notice of a proposed or estimated assessment or notice of assessment as the result of an audit
- The time to appeal administratively an issued assessment has not yet expired
- An assessment resulting from an audit, or any portion of such assessment, is pending in the administrative appeals process before the Secretary of Revenue, Board of Tax Appeals, or the judicial review process

Amnesty also does not apply to any matter that is the subject or part of an assessment affirmed by a state or federal district appellate court. It also does not apply to any party to any criminal investigation or to any civil or criminal litigation that is pending in any court for nonpayment, delinquency, or fraud in relation to any Kansas state tax.

Finally, fraud or intentional misrepresentation of a material fact in connection with an amnesty application will void the application and any waiver of penalties and interest; and discovery of fraud relating to the underlying tax liability will void the abatement of any liability pursuant to the amnesty. **[KSA 79-3666 through 79-3682]**

2002 - Tax Credit for Port Authority Debt Retirement

The bill provides capital contribution credit similar to an income tax credit for tax years 2002 through 2021 equal to the total amount attributable to the retirement of indebtedness authorized by a single city port authority established before January 1, 2002. The amount of the credit allowed for any one fiscal year is limited to \$500,000, and any unused credit could be carried forward to future tax years. **[KSA 79-32,212]**

2002 - Annual Report on Cost-Effectiveness of Tax Incentives

The bill requires the Secretary of Revenue to consult with the President of Kansas, Inc. regarding the development of a questionnaire on the use of state income tax credits and sales questionnaires to develop an annual report on the cost-effectiveness of economic development tax exemptions and credits. **SB 129**

2002 - Kansas National Guard Pay Allowance

The bill provides guard members (called to state active duty for more than 30 consecutive days) reimbursement for the costs of their privately purchased or employer-provided health insurance. The bill caps the reimbursement at an amount not to exceed the costs of insurance premiums paid under the state employee group health insurance plan, and provides direct reimbursement (rather than a tax credit) for those political subdivisions of the state that do not incur a tax liability. Additionally, the bill allows the

tax credit amount which exceeds the member's income tax liability to be carried over for credit in succeeding taxable years until the total amount of credit is used. [KSA 79-32,213]

1999 - Tax Credit for Contribution to Employee Health Insurance Premium

The Legislature amends present law to offer small employers who have not contributed to any health insurance premium on behalf of their employees in the previous two years, a refundable tax credit for each eligible covered employee. For the first two years, the credit is set at \$35 per month per eligible covered employee or 50 percent of the total amount paid by the employer during the taxable year, whichever was less. In the third year, the credit is set at 75 percent of the lesser of \$35 per month per employee or 50 percent of the total amount paid by the employer during the taxable year. In the fourth year, the credit is set at 50 percent of the lesser of \$35 per month per employee or 50 percent of the total amount paid by the employer during the taxable year. In the fifth year, the credit is set at 25 percent of the lesser of \$35 per month per employee or 50 percent of the total amount paid by the employer during the taxable year. No credit is allowed in the sixth and subsequent years. The credit applies to all taxable years after December 31, 1999, and before January 1, 2002. [HB 2090 Amends KSA 40-2242]

1999 - Income Tax Credit for investment in alternative-fueling stations

The Tax Reform and Relief Act of 1999 expands and enhances income tax credits pursuant to KSA 79-32,201 such that the credits would be available to taxpayers who make expenditures for alternative-fuel fueling stations, as well as qualified alternative-fueled motor vehicles. [SB 45 Amends KSA 79-32,201]

1997 - Tax Credit for Making Facilities Handicapped Accessible

The Legislature amends the law to allow individuals to claim the credit for making new facilities accessible to individuals with a disability. Prior law allowed credits only for modifications to existing structures. These changes took effect for tax year 1997. [KSA 79-1109]

1996 - Solar Energy System Tax Credits amended

The Legislature repeals obsolete sections of statute that provided income tax credits when a solar energy system had been installed on business property. Certain limitations were contained in that statute, among them being that the system had to be installed prior to January 1, 1986, in order to claim the credit. [KSA 79-1118 now repealed]

See Also:

Generally - Oversight and Research, pg. 59

Chapter 13

Tourism

Attraction Development

2004 - Agritourism Promotion Act

The bill creates the Agritourism Promotion Act and requires the registration of agritourism operators as follows:

- Provide that any agritourism operator may register with the Secretary of Commerce.
- Require the registration to contain information describing the agritourism activity.
- Require the registration to describe the location where the person conducts or intends to conduct the registered agritourism activity.
- Require the Secretary to maintain a list of registered agritourism operators, agritourism activities conducted by each operator and the location where the operator conducts the activities.
- Require the list to be made available to the public.
- Require the Secretary, in conjunction with other agritourism and rural economic development efforts of the Secretary, to promote and publicize registered agritourism operators and activities and locations.
- Provide that registration be for a period of five years.
- Charge no fee to persons registering as agritourism operators.

Tax credits for agritourism operators provide income tax credits equivalent to 20 percent of liability insurance premiums paid by certain registered agritourism operators annually for five years. The maximum credit that could be claimed would be \$2,000, and unused credits could be carried forward for up to three additional years.

The Secretary of Commerce is required to adopt rules and regulations establishing criteria for determining those costs which qualify as costs of liability insurance for agritourism activities of a registered agritourism operator. The Secretary of Commerce is required to submit to the Senate Committee on Commerce and the House Committee on Tourism and Parks a report on the implementation and use of the tax credit provided by the act at the beginning of the 2006 Legislative Session. **[KSA 74-50,165 through 74-50,173]**

2003- Council on Travel and Tourism

The bill updates references to certain members of the Council, which includes representatives of the lodging industry, the Kansas Restaurant and Hospitality Industry, the Petroleum Marketers and Convenience Store Association, and the Kansas Sport Hunting Association. The bill also changes one of the members of the council from the chairperson of the Standing Senate Committee on Transportation and Tourism to the chairperson for the Senate Committee on Commerce. (The law continues to allow the President of the Senate to appoint a member of the Senate in the alternative.) **HB 2106**

2002 - Kansas Sports Hall of Fame

The bill provides for a loan of \$100,000 to the Kansas Sports Hall of Fame from the Kansas Export Loan Guarantee Fund within the Department of Commerce and Housing. The loan would be made on July 1, 2002, and repayment would be required by June 30, 2004. The bill also encourages voluntary monetary participation by the Board of Regents and accredited independent institutions. Finally, the bill requires the Kansas Sports Hall of Fame to submit quarterly reports to the House Appropriations Committee and the Senate Ways and Means Committee when the Legislature is in session and the Legislative Budget

Committee when the Legislature is not in session. [KSA 74-2916]

2001 – Bonding Authority for Improvement to the Kansas State Fairgrounds

The Legislature authorizes the Kansas State Development Finance Authority, upon approval of the State Finance Council and after review by the Joint Committee on State Building Construction, to issue \$29 million in bonds. The bond proceeds will allow the State Fair Board to make extensive improvements to the State Fairground in Hutchinson. The bill establishes a State fair debt service special review fund, into which local and private funds are placed, and to which state funds are transferred annually for debt service payments. The bill authorizes the use of Economic Development Initiatives Funds, as well as other available state funds, for debt service payments. [KSA 2-226]

2001 – Conditions Governing Oz Theme Park

The Legislature amends a statute concerning the Oz Theme Park. As a precondition for issuing STAR bonds, the Kansas Development Finance Authority must adopt a redevelopment plan of the proposed Oz Theme Park project. The bill extends the deadline for this to July 1, 2002. **HB 2573**

2001 – Convention and Tourism Committees; Franchise Right-of-Way Ordinances

The Legislature gives a governing body of a city or county that levies a transient guest tax the option of establishing a convention and tourism committee. The bill also allows the governing body to establish the method for appointing members to the committee and sets the length of an appointee's term of office. The bill imposes a moratorium on the enactment of franchise or right-of-way ordinances that substantially modify the relationship between telecommunications providers and municipalities as they existed on January 1, 2001. The representatives of municipalities and telecommunications providers will be required to confer and report their progress to the Joint Committee on Economic Development three times before December 31, 2001. [KSA 12-2015]

2000 - Land of Oz; Sunflower Ammunition Plant Remediation Trust Fund

The Legislature establishes the Sunflower Army Ammunition Plant Remediation Trust Fund to be administered by the Secretary of Health and Environment to pay qualified expenses of remediation of environmental contamination at the Sunflower Army Ammunition Plant. Funding for the trust fund will come from any proceeds received by the Department of Health and Environment from the payment obligation surety bonds furnished by the Oz Entertainment Company pursuant to a consent decree agreement. All expenditures from the trust fund will be subject to the appropriation process. **HB 3020**

2000 - Land of Oz; amendments to Kansas Tort Claims Act

The Kansas Tort Claims Act provides that a governmental entity or an employee acting within the scope of employment will not be liable for damages resulting from the performance of, or failure to perform, any activity pursuant to the statute governing the development of a project of state as well as local importance on a federal enclave. This protection includes, but is not limited to issuance and enforcement of a consent decree agreement and oversight of contaminant remediation and taking title to any or all of the federal enclave. The project to which the law indirectly refers is the theme park proposed by the Oz Entertainment Company to be located at the Sunflower Army Ammunition Plant site. **HB 3021**

1999 - Oz Theme Park and Resort

The Legislature amends legislation enacted in 1998, which established a mechanism for creating a redevelopment district within federal enclaves. Changes include:

- Extend the maximum maturity of bonds associated with the Oz project) from 20 to 30 years from the issuance of the first series of bonds to finance the project. Under prior law, the duration of the bonds was tied to the establishment of the redevelopment district.

- Exclude the proceeds from the mandatory school finance tax levy, including local property tax levies for school districts, as revenue sources to repay the bonds issued by KDFA.
- Prohibit any economic development property tax abatement granted to the Oz project developer from capturing revenue from the DeSoto school district.
- Increase the state sales and compensating use tax rate within a redevelopment district containing the Oz project from the previously authorized rate of 5.9 percent to 6.9 percent. The term of the additional tax was limited until the earlier of two dates - when the bonds have been fully paid or the date of the final scheduled maturity of the first series of bonds issued for the project. The same limitation was applied to the 5 percent transient guest tax authorized in the 1998 legislation as a revenue source to repay the bonds.
- Authorize KDFA to form a subsidiary corporation - the Kansas Statewide Projects Development Corporation - for acquiring or conveying property, issuing bonds, or otherwise financing the Oz project on behalf of the state.
- Condition establishment of the redevelopment district in which the Oz project would be located upon approval by the Johnson County Board of Commissioners of the redevelopment agreement between the Oz Entertainment Company and the KDFA.
- Require the developer, as a precondition for taking legal title to the land for the development of the Oz project, to enter into a consent decree agreement with the Kansas Department of Health and Environment or the Environmental Protection Agency.
- Require, as a precondition for taking title to the land, that the state or KDFA obtain the written opinion of a competent attorney specializing in environmental law regarding the state's potential liability resulting from taking title, possession, or otherwise exercising control over the land.
- Require that any redevelopment plan for the Oz project must be adopted before July 1, 2001.
- Provide that any revenues not needed or committed for the payment of bonds or other project costs, as authorized by the redevelopment agreement, must be remitted by the State Treasurer to the appropriate taxing authorities.
- Amend the 1998 legislation to accurately reflect legislative intent concerning compensation by the Oz developers to the Unified Government of Wyandotte County for expenses incurred by the county for the project.
- Make various technical and conforming amendments.

[HB 2166 Amends KSA 1998 Supp. 12-195, 74-8902 et seq., 74-8921 et seq., 79-3603, 79-3703 and 79-5302]

1998 - Alternative Site for Oz Theme Park and Resort

A mechanism is established for creating a redevelopment district within federal enclaves in which Tax Increment Financing (TIF) may be used to finance "projects of statewide as well as local importance." Specifically, the federal enclaves in the bill refer to the Sunflower Ammunition site in Johnson County and the Parsons Ammunition site in Labette County.

The Sunflower Ammunition site would be considered an alternative site to an area under consideration in Wyandotte County for the development of the Oz Theme Park and Resort. The bill authorizes the Kansas Development Finance Authority (KDFA) to issue bonds to finance the project at the Sunflower Ammunition site because the project would be developed within a federal enclave outside city limits. Although cities are authorized under TIF law to issue bonds for projects of statewide as well as local importance (e.g., the Oz project), the KDFA is authorized in the bill to issue bonds for the Oz project if the developer decides to select Wyandotte County as the project site.

As required by TIF law, the Secretary of Commerce & Housing must designate the redevelopment project as being of statewide as well as local importance as a precondition for any bond issues. To be designated

as being of statewide as well as of local importance, a project at the Sunflower Ammunition site would be subject to the same capital improvement commitments (at least \$300 million) and employment commitments (at least 1,500 positions.) For a project at the Parsons Ammunition site, developers would have to commit to at least \$5 million in capital improvements and employment of at least 150 positions.

The procedures for establishing the redevelopment district and redevelopment plan are essentially the same for projects within federal enclaves as for any project that may be developed within a city under TIF law. Moreover, as authorized in TIF law, this bill allowed local transient guest tax, local sales tax, and state sales and use tax revenues from the redevelopment district to be pledged to repay any bonds (sales tax and revenue or STAR Bonds) that finance a project of statewide and local importance. Bonds for this type of project could be issued for no more than 20 years (the same as in TIF law). For purposes of redevelopment projects in federal enclaves (Johnson County or Labette County), the following taxes would be levied or collected within the redevelopment district to repay the bonds issued by the KDFA for the project:

- state sales and use tax at the rate of 5.9 percent (the 1 percent increase over the existing state sales tax rate corresponds to the 1 percent city sales tax rate that would be captured if the Oz project were located in Kansas City)
- transient guest tax at the rate of 5 percent
- countywide sales tax at the rate of .5 percent, and an additional county sales tax at a rate of .5 percent only within the redevelopment district

The revenues could only be levied or collected for the duration of the bond repayment but could not exceed 20 years after establishment of the redevelopment district (whichever occurs earlier).

The bill authorizes the enlargement of an enterprise zone by the Unified Government of Wyandotte County/Kansas City, Kansas for the Oz project even if the enlargement extends beyond Kansas City's boundary. Under prior law, the original location for the Oz project was an enterprise zone found completely in Kansas City. The bill also requires the developer of the Oz project to reimburse, within one year of the commencement of project construction, the Unified Government of Wyandotte County/Kansas City, Kansas for cash investments in the project and for the use of the local government's employees and other resources during the course of negotiations with the developer. The Secretary of Commerce & Housing must determine the amount based on documentation.

Finally, the bill clarifies that the state, local units of government, and the KDFA does not assume responsibility for any environmental remediation required to be performed in any redevelopment district within a federal enclave. [KSA 74-8902 et seq., 79-3603, 79-3703, 12-189 et seq., and 12-1771]

1998 - Auto Race Track Facility

The bill authorizes the unified government of Wyandotte County/Kansas City, Kansas to utilize 30-year special obligation bonds to finance an auto race track facility rather than the 20-year bonds otherwise authorized. However, STAR bonds, paid from sales and other excise taxes, may be issued for 30 years but, only if the Governor makes a finding that the longer term was necessary for the economic feasibility of the track's funding. All of the payments in lieu of taxes made by the track go toward the TIF bonds, financed from payments in lieu of property taxes, rather than only the increment. Further development of the major tourism area is limited to a 400-acre parcel described in the bill and would be eligible for 20-year STAR bonds, but not for TIF bonds. Qualified competitive bidding is required for the underwriting services for the bonds.

“Race track facility” is defined to include grandstands, suites and viewing areas, concessions and souvenir facilities, catering facilities, visitor and retail centers, signage, and temporary hospitality facilities, but excludes hotels, motels, restaurants, and retail facilities not included above. Owners of property condemned for the track receive an additional award equal to 25 percent of the compensation or damage amount otherwise determined. In condemnation proceedings for redevelopment projects other than for the auto race track, cities are required to offer at least the highest appraised valuation determined for property tax purposes within the last three years by the county appraiser, unless the property had been damaged or destroyed by a catastrophic event. The minimum payment for relocation is set at \$500. **[HB 2631, Amends KSA 12-1777, 79-3620, 79-3620b and 79-3710 and KSA 12-1770 et seq.]**

1997 - TIF for Racetrack Operations

The Legislature expands the application of tax increment financing, and specifically the use of transient guest, sales and use tax, to retire special obligation bonds for redevelopment projects that create a major tourism area in Kansas. In making the determination that a redevelopment project will create a major tourism area, the Secretary of Commerce & Housing must conclude that: capital improvements costing not less than \$100 million will be built in the state to construct a project for such major tourism area; and the project constructed was designated within the SIC code for auto racetrack operations. **[KSA 12-1771 and 12-1774]**

1993 - TIF financing for "Wonderful World of Oz" Theme Park and Resort

The Legislature authorizes the use of revenues from the collection of sales, use, and transient guest taxes to repay special obligation bonds and accompanying interest on certain redevelopment projects. To qualify, projects must involve capital improvements costing not less than \$300 million, be built in Kansas, and create not less than 1,500 permanent and seasonal positions. The law is enacted to aid the financing of the "Wonderful World of Oz" theme park in Kansas City. **[KSA 12-1770 et seq.]**

Outdoor Recreation Development

2000 - Tax exempt Bonds for Resort Facilities.

The Legislature gives the KDFA authorization to issue tax-exempt bonds to finance resort facilities in an amount not to exceed \$30 million for any one resort. (Legislation enacted in 1998 authorized KDFA to issue bonds for this purpose but such bonds could not be tax exempt pursuant to statute.) **HB 3019**

2000 - State Park Motor Vehicle Permit Fees—Senior Citizens and Disabled Persons

The Legislature imposes annual and daily state park motor vehicle permit fees for those 65 years of age or older and individuals with disabilities at one-half the current fee rate. Senior citizens and individuals with disabilities are statutorily exempt from state park motor vehicle fees. At the current fee rates, the bill sets the fee for an annual state park vehicle permit at \$14.75 (one-half of \$29.50), and the daily motor vehicle entrance fee \$1.75 (one-half of \$3.50). Seniors would remain eligible for free hunting and fishing licenses. The bill takes effect on

January 1, 2001. **SB 316**

1998 - Kansas Local Government Outdoor Recreation Grant Program Act

The Legislature enacts the Kansas Local Government Outdoor Recreation Grant Program Act. The Secretary of Wildlife and Parks is required to develop and administer a program to award matching grants to Kansas local governments for capital improvements for outdoor recreation facilities; local governments will be required to match the grants. The Secretary is required to establish guidelines and criteria for awarding the grants on an annual and competitive basis. A portion of all money appropriated is to be designated by the Secretary for local renovations, repairs, and improvements consistent with the Americans with Disabilities Act. **[KSA 32-1201]**

1998 - Development of a Comprehensive Multipurpose Lake Resort

The Legislature authorizes the development of a comprehensive multipurpose lake resort at one or more state parks, including but not limited to, the six parks identified in the feasibility study reported to the 1998 Legislature.

The Secretaries of Wildlife and Parks, Commerce & Housing, and Transportation are required to develop an incentive plan outlining the state's commitment toward lake resort development. Examples of the incentives to be provided included infrastructure improvements such as utilities and roads, tax incentives, and economic development grants. Upon completion of the state incentive plans, the Secretaries of Wildlife and Parks and Commerce & Housing are required to approach local communities adjacent to the state parks to determine the incentives that could be provided by the local communities. The Secretary of Wildlife and Parks is authorized to negotiate with the appropriate federal agency for resort development.

The Secretaries of Wildlife and Parks and Commerce & Housing are required to develop requests for proposals to develop a lake resort, advertise for proposals, consider all proposals that are submitted, and select, negotiate, and contract for the construction of a lake resort. The Secretaries are authorized to engage a private consultant to assist in contract development, and is required to submit a status report on resort development to the Legislature and the Governor during the 1999 Legislative Session. Any resort developed is required to be operated as a private concession and developed with private financing including revenue bonds issued by the Kansas Development Finance Authority in amounts not to exceed \$30 million per resort.

The Secretary of Wildlife and Parks is authorized to waive any relevant park fees, obtain revenue from a resort that is developed, and include penalty provisions for nonperformance by a resort operator. If the Legislature is not in session, the State Finance Council is authorized to approve the site and the amount of bonds issued. **[KSA 32-874a et seq. and KSA 32-867, 32-869, 32-873, 41-719]**

1997 - Lake Resort Feasibility Study

The Legislature requires the Secretaries of the Department of Commerce & Housing and Wildlife and Parks, to jointly direct and implement a feasibility study regarding the potential of developing lake resorts in Kansas. The study is to take into account facilities, access from highways and public transportation systems, and any other factors that could affect tourism at a given site. The study has to be completed by Jan. 1, 1998. The 1997 Legislature appropriates \$75,000 from the EDIF to the Department of Commerce & Housing for FY 1998 to pay for this study and the tourism study described below. **[KSA 32-874]**

1997 - Commercial and Family-Oriented Lodging Areas at State Parks

The Legislature directs the Secretary of the Department of Wildlife and Parks to identify and select suitable sites for the development of commercial, family-oriented lodging areas at the following state parks: Clinton, Hillsdale, Kanopolis, El Dorado, Cheney, Wilson, Milford, Tuttle Creek, Pomona, and other parks the Secretary deems appropriate. Lake resorts are not included in the development of family-oriented lodgings. The bill authorizes the Secretary to negotiate long-term leases with private sector developers for commercial development at selected state park sites and sets forth bidding procedure requirements. The bill exempts commercial improvements at state park sites from property taxes. Owners of the improvements, however, were required to pay service charges "in lieu of" property tax at a rate of 100 mills on improvements as valued by the county appraiser. **[KSA 32-886]**

Other Tourism Issues

1997 - Study of Tourism Efforts in Kansas

The Legislature directs that a study of public and private tourism efforts in Kansas be conducted. Items to be addressed by the study include an analysis of strengths and weaknesses in Kansas tourism and the relationship between public and private tourism efforts and interests. The Legislature further directs that the study be conducted by a consultant who would make specific recommendations for the development and improvement of tourism in Kansas. The study has to be completed by Jan. 1, 1998. The bill makes the Council on Travel and Tourism responsible for selecting the researcher and overseeing the study. The 1997 Legislature appropriates \$75,000 from the EDIF to the Department of Commerce & Housing for FY 1998 to pay for this study and the feasibility study of lake resorts discussed above. [KSA 74-9004 and 74-9005]

1997 - State Tourism Fund Established

The Legislature establishes the State Tourism Fund to make grants to public and private entities for programs, projects, and activities that expand tourism attractions in Kansas. The Council on Travel and Tourism is directed to recommend projects to be funded with the grants, subject to rules and regulations developed by the Department of Commerce & Housing. No funding is provided for the State Tourism Fund in the FY 1998 Budget or subsequent budgets. [KSA 74-9003]

1997 - Commission on Travel and Tourism renamed Council on Travel Tourism and restructured

The Legislature renames the Commission on Travel and Tourism the Council on Travel and Tourism and expands the Council from 15 to 17 members by the addition of two additional legislators. The Council consists of seven Gubernatorial appointees; four ex-officio members (Secretaries of Commerce & Housing, Transportation, Wildlife and Parks, and the Executive Director of the State Historical Society); and six legislators (Senate and House members appointed by their respective leaders or Chairpersons, Vice-Chairpersons, and Ranking Minority Members of the Senate Committee on Transportation and Tourism and the House Committee on Tourism). [KSA 74-9001]

1993 - Kansas Tourism Attraction Development Grant Program amended

The Legislature amends this program to prohibit grant applicants from using state monies to meet matching requirements; permit both public and private entities to be eligible for grants; impose grant size restrictions; and require Kansas, Inc. to commission an analysis of the program's impact on tourism to be performed in FY 1997. [KSA 74-5089]

1989 - Kansas Tourism Attraction Development Grant Program; creation of

The Legislature creates this matching grant program to provide assistance to public and private entities developing quality tourist attractions in the state. The grants are limited to not more than 40 percent of any project. The statute also establishes the Kansas Tourism Attraction Development Selection Committee to review applications and make grant awards. [KSA 70- 5089 et seq.]

1987 - Commission on Travel and Tourism; creation of

A Travel and Tourism Commission is created to develop and implement a state travel and tourism marketing strategy. The Commission is also responsible for assisting the Department of Commerce & Housing in allocating funds for tourism projects and activities. [KSA 74-9001 et seq.]

Chapter 14

Kansas Economic Growth Act of 2004

2004 - Bioscience Authority Act. The bill enacts the Bioscience Authority Act and creates the Kansas Bioscience Authority, governed by an 11-member Board of Directors. Nine members will be voting members representing the general public who demonstrate leadership in finance, business, bioscience research, plant biotechnology, basic research, health care, legal affairs, bioscience manufacturing or product commercialization, education, or government. In addition, one member of the Board is to be an agricultural expert who is recognized for outstanding knowledge and leadership in the field of bioscience. Seven voting members of the Board must be Kansas residents. The Governor, the Speaker of the House, and the President of the Senate will each appoint two Board members, and the House Minority Leader, Senate Minority Leader, and Kansas Technology Enterprise Corporation (KTEC) will each appoint one member. No more than three voting members of the Authority could be appointed from any one congressional district. Two nonvoting members of the Board are to be representing state research universities and have research expertise. The voting members are subject to Senate confirmation and will serve four-year terms after conclusion of the initial term, with no more than three consecutive four-year terms. All members of the Board and all officers of the Authority will be required to file a written statement of substantial interest.

The Board members will serve with compensation and will be required to meet at least four times per year. The Board members will appoint a president to serve as the Chief Executive Officer of the Authority. In executive session of the Board, the members are prohibited from taking action on any matter heard in an executive session. In addition, the Chairperson, the Vice-Chairperson, the Secretary, and two additional members of the Board to be chosen by the Chairperson from the remaining members will be the Executive Committee, which may transact business of the Authority. The Executive Committee membership must be voting members. The Bioscience Authority is to be headquartered in the county with the highest number of bioscience employees associated with bioscience companies. The Authority will continue so long as the Authority has bonds outstanding unless adequate provisions are made for the payment or retirement of the Authority's debts or obligations. In addition, nothing in the Act will be construed to limit the constitutional powers of the Legislature.

The Authority, with state universities, will identify and recruit eminent and rising star scholars; jointly employ personnel to assist or complement eminent and rising star scholars; determine types of facilities and research; facilitate integrated bioscience research; and provide matching funds for federal grants.

The powers of the Authority will include:

- Oversee the commercialization of bioscience intellectual property created by eminent and rising star scholars.
- Own and possess patents, proprietary technology, and entering into contracts for commercialization of the research.
- Incur indebtedness and enter into contracts with Kansas Development Finance Authority (KDFA) for bonding to construct state-of-the art facilities owned by the Authority; "Neither the State of Kansas nor KDFA will be liable for the bonds of the Authority," "Employ as many employees as it requires. However, the employees are not considered state employees," "Allow the establishment of benefits for employees such as a health insurance plan, retirement plans, death and disability benefits, and affiliate with Kansas Public Employees Retirement System."
- Purchase, lease, trade, and transfer property. (Architecture and construction requirements similar to those affecting the research universities research facilities also will apply.)

- Solicit and study business plans and proposals.
- Establish a contractual relationship with KTEC and National Institute for Strategic Technology Acquisition and Commercialization (NISTAC) for the first five years of operation.
- Require a repayment agreement for any bioscience company that receives grants, awards, tax credits or any other financial assistance, including financing for any bioscience development project, if the company relocates operations associated with the funding outside Kansas within 10 years after receiving such financial assistance. The Authority will be required to specify the terms of the repayment obligation and the amount to be repaid.

The Authority will be prohibited from creating any political action committee or contributing to any political action committee. The terms bioscience, biotechnology, and life sciences could not be construed to include: induced abortion in humans, performed after the date of enactment of this Act, or the use of cells or tissues derived there from; and any research, the federal funding of which would be contrary to federal laws that are in effect on the date of enactment of this Act. Eminent domain would not be allowed to be used to secure agricultural land for a bioscience project. Finally, the Authority would be subjected to review by Kansas, Inc., to evaluate and report on the effectiveness of Authority activities. **[KSA 74-99b01 through 74-99b17]**

2004 - Emerging Industry Investment Act

The bill creates the Bioscience Development Investment Fund which will not be a part of the State Treasury. Funds in the Bioscience Development Investment Fund would belong exclusively to the Authority. The Secretary of Revenue and the Authority will establish the base year of taxation for all bioscience companies and all state universities conducting bioscience research in the state.

The Secretary of Revenue, the Authority, and the Board of Regents will establish the number of bioscience employees associated with state universities and report annually and determine the incremental increase from the base annually for the following 15 years from the effective date of the Act. All of the incremental state taxes generated by the growth of bioscience companies and research institutions over and above the base taxation year will go into the Fund. The baseline amount of state taxes will go to the State General Fund each year. The Bioscience Development Investment Fund will be used to fund programs and repay bonds. **[KSA 74-99b31 through 74-99b35]**

2004 - Bioscience Development Financing Act

The bill allows creation of tax increment financing districts for bioscience development. One or more bioscience development projects could occur within an established bioscience development district. The process for establishing the district will follow the tax increment financing statutes. However, no bioscience development district can be established without the approval of the Authority.

The bill allows counties to establish bioscience development districts in unincorporated areas. KDFA may issue special obligation bonds to finance a bioscience development project. The bonds will be paid with ad valorem tax increments, private sources, contributions, or other financial assistance from the state and federal government. In addition, the bill creates the Bioscience Development Bond Fund which will be managed by the Authority and not be part of the State Treasury. A separate account will be created for each bioscience development district (BDD) and distributions will pay for the bioscience development project costs in a BDD. **[KSA 74-99b41 through 74-99b45]**

2004 - Bioscience Tax Investment Incentive Act

The bill also makes additional cash resources available to start-up companies. The bill creates the Net Operating Loss (NOL) Transfer Program. The Program will allow the Bioscience Authority to pay up to

50 percent of a bioscience company's Kansas NOL during the claimed taxable year. The Program will be managed by the Kansas Department of Revenue and will be capped at \$1 million for any one fiscal year. [KSA 74-99b51 through 74-99b53]

2004 - Bioscience R & D Voucher Program Act

The bill establishes the Bioscience R & D Fund in the State Treasury. The Fund could receive state appropriations, gifts, grants, federal funds, revolving funds, and any other public or private funds. The State Treasurer will disperse funds with the consent of the Bioscience Authority Chairperson. The Program requires that any Kansas companies conducting bioscience research and development apply to the Authority for a research voucher. After receiving a voucher, the company then locates a researcher at a Kansas university or college to conduct a directed research project. At least 51 percent of voucher award funds will be expended with the university in the state under contract and could not exceed 50 percent of the research cost. The maximum voucher funds awarded could not exceed \$1 million, each year for two years, and not to exceed 50 percent of the research costs. The company will be required to provide a one-to-one dollar match of the project award for each year of the project. A Bioscience Research and Development Voucher—Federal Fund is established to receive any federal funding. [KSA 74-99b61 through 74-99b68]

2004 - Bioscience Research Matching Funds Act

The bill further establishes the Bioscience Research Matching Fund to be administered by the Authority. Recipients must be a bioscience research institution and are encouraged to jointly apply for funds. The funds will be used to promote bioscience research and to recruit, employ, fund, and endow bioscience faculty, research positions and scientists at universities in Kansas. Application for the matching funds will be made to the Authority. [KSA 74-99b81 through 74-99b89]

2004 - Kansas Center for Entrepreneurship

The bill establishes the Kansas Center for Entrepreneurship within the Department of Commerce. The Secretary of Commerce will enter into a contract for the operations of the Center. An 11- member Board of Directors will be appointed by the Secretary of Commerce and specific qualifications for Board membership are outlined in the bill.

The purpose of the Center is to increase seed capital for entrepreneurs, especially those in distressed and rural communities; work with the Kansas Board of Regents and the Kansas Board of Education to create training and course work in entrepreneurship; and provide a resource center clearinghouse and referral source which is to include a website and a toll-free telephone number.

The bill also creates the Kansas Community Entrepreneurship Fund (KCEF), which is to receive state funds, donations, and gifts from any source. The Center will administer the fund under guidelines established by the Secretary of Commerce and the funds would be used for awards to regional and community organizations that provide seed capital to qualified entrepreneurs, especially those located in distressed and rural communities in Kansas. The Fund will not be subject to appropriation. A maximum of 10 percent of the fund each year could be used for the operation of the Center.

A new tax credit for entrepreneurship in distressed and rural communities also is established by the bill. Taxpayers that donate to the KCEF could claim a 50 percent tax credit of the amount donated. The first year that a tax credit could be claimed is 2006 and will be limited to a total amount of \$2 million for any one fiscal year. In addition, the minimum amount of investment will be \$250 to receive the credit. The Center and the Department of Commerce will control the distribution of the credits to investors.

After the third year of operation, the Center is to be reviewed by Kansas, Inc. for evaluation of the program in meeting its goals and objectives, and cost effectiveness of the program. [KSA 74-99c01 through 74-99c11]

2004 - The Kansas Investments in Major Projects and Comprehensive Training Act (IMPACT)

The bill amends IMPACT to allow the Secretary of the Department of Commerce to make direct investments in educational and related workforce development institutions. The bill also increases the Secretary's ability to invest in capital requirements of major facility expansions from 10 percent to 20 percent of IMPACT funds. **HB 2647**

2004 - The Rural Business Development Tax Credit

The bill also establishes a rural business development tax credit. State income tax credits will be awarded to seven designated regional organizations to use to encourage individuals, businesses, financial institutions, and insurance companies to donate to regional foundations. The bill defines a "regional foundation" as an organization that demonstrates capacity to provide economic development services to various regions of the state. The Secretary of Commerce, with assistance of the Secretary of Revenue, will designate an organization as a regional foundation.

Over a three-year period, each region will receive \$1 million of tax credits, or a total of \$7 million statewide. A tax credit of 50 percent of the donation will be available under this program. The minimum donation is \$250. Any credits not sold by a date to be specified by the Department of Commerce would be reclaimed by the Department and redistributed to other regions that had used all of their credits. [KSA 74-50, 154]

2004 - The Kansas Angel Investor Tax Credit Act

The bill establishes the Kansas Angel Investor Tax Credit Act. An accredited investor will be allowed a 50 percent tax credit not to exceed \$50,000 of cash investment in a qualified Kansas business and limited to five such cash investments. The tax credit will be made available beginning January 1, 2005 with a cap of \$2 million per year. The last year to receive a tax credit under the provisions of the bill will be 2016. The cumulative aggregate amount of tax credits allowed for the ten-year period will be \$20 million.

A qualified Kansas business will be certified KTEC. An accredited investor will be an accredited investor as defined by the U.S. Securities and Exchange Commission Rule 501 Regulation D and is incurring Kansas income tax. The tax credit could be sold if the investor is not subject to Kansas taxation and only the full credit for any one investment may be transferred. KTEC will be allowed to recover administration costs from the accredited investor or qualified Kansas business.

The bill requires repayment of state investments if the business no longer qualifies or moves out of the state within 10 years and abolishes the Kansas Certified Capital Formation Company Act. [KSA 74-8131 through 74-8137]

2004 - The Kansas Downtown Redevelopment Act

The bill further creates the Kansas Downtown Redevelopment Act. The Secretary of Commerce will approve applications from cities or counties for the designation of downtown redevelopment areas that also will receive a rebate of property tax collected on the properties which have undergone approved improvements. The criteria the Secretary will use when reviewing the applications includes:

- The proposed redevelopment area is located in a well-defined, core commercial district of the city.
- The structures located within the proposed redevelopment area have a vacancy rate that exceeds 15 percent, or

- The average appraised valuation of the properties located within the proposed area has not increased by more than 15 percent in the past 10 years.

The property owner will be required to submit a written application to the governing body of the city to request the rebates. The real property approved for the tax rebates will be assessed and taxed as if it had not been approved. A rebate for five years will be made available to the property owner of the incremental tax increase between the base year, prior to the improvements, and the new assessed evaluation. During the sixth year, 80 percent of the tax increment will be subject to rebate. For the seventh, eighth, and ninth years, the percentage of the tax increment that will not be subject to rebate will be a 20 percent increase per year. Finally, in the tenth year, no rebate will be awarded. [KSA 12-17,121 through 12-17,125]

See Also

Generally –Chapter 8, Kansas Department of Commerce, pg. 55

Generally - Chapter 9, Kansas, Inc., pg. 58

Generally – Chapter 10, Kansas Technology Enterprise Corporation, pg. 61

KANSAS, INC.

Created by the 1986 Legislature, Kansas, Inc. is an independent, objective, and non-partisan agency designed to conduct economic development research and analysis with a goal of crafting policies and recommendations to insure the state's ongoing competitiveness for economic growth. This is achieved through these primary activities: 1) developing and implementing a proactive and aggressive research agenda; 2) identifying and promoting strategies and policies from the research; 3) conducting evaluation reviews and oversight of programs; and, 4) collaboration with economic development entities and outreach to potential partners. Kansas, Inc. is designed to be a public private partnership with expectations that state investments are leveraged with other funds to maintain a strong research portfolio.

A 17-member Board of Directors Co-Chaired by the Governor and a private sector representative governs Kansas, Inc. Nine Board members are representatives from identified industries in the private sector and other members are: the Secretary of Commerce, Legislative leadership, the Kansas Board of Regents, and a representative from labor.

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