

SESSION OF 2008

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 417**

As Amended by House Committee of the Whole

**Brief\***

SB 417, as amended, would provide \$4.0 million annually for housing grants, initially targeting cities and counties that suffered recent disasters, and later expanding eligibility in 2010 to include rural cities and counties. The Kansas Housing Resources Corporation of the Kansas Development Finance Authority would be designated to implement and administer a grant program for cities. The program would be incorporated into the Rural Housing Incentive District Act and several modifications would be made in KSA 12-5241 *et seq.* to reflect the statutory changes proposed in the bill. The program would be required to conform with public notice and hearing requirements prescribed in KSA 12-5245 and 12-5246 before local plans could be adopted.

The bill would allow cities and counties located in a disaster area to designate an area as a rural housing incentive district. The bill initially would limit grants to cities and counties in designated disaster areas until June 30, 2010. On and after July 1, 2010, grant funds would be available for rural cities and counties meeting a population requirement. In order for a city or county to be eligible to receive a grant, it would have to provide matching funds of at least 10.0 percent for construction or rehabilitation of infrastructure projects as defined in the bill, and at least 50.0 percent for any other type of projects. The bill would limit grant awards to \$25,000 for single-family residential dwellings. Cities and counties receiving grant money would be required to submit annual performance reports to the Kansas Housing Resources Corporation regarding the use of grant funds.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill would take effect upon its publication in the *Kansas Register*, with initial financing to be transferred from the State General Fund to the State Housing Trust Fund during FY 2008 which ends on June 30, 2008. Beginning in FY 2009, transfers of \$4.0 million annually would be from the State General Fund until FY 2014.

The provisions establishing the housing grants program would expire on July 1, 2015.

### **Background**

Current statutes (KSA 12-5241 *et seq.*) authorize a Rural Housing Incentive District Program. The law provides a process for both cities and counties to assist directly in the financing of public improvements in support of housing in rural areas experiencing a housing shortage. The Rural Housing Incentive District Program is administered by the Division of Housing in the Kansas Development Finance Authority (KDFA). SB 417 would establish a new housing development grant program only for cities and would be administered by the Kansas Housing Resources Corporation (KHRC) which was established by the KDFA. The new grant program would allow cities with a population of less than 40,000 situated in a county with less than 60,000 people to request grant funding for new housing development activities located in a rural housing incentive district. The bill defines housing development activities as the construction or rehabilitation of infrastructure necessary to support construction of new residential dwellings and the construction of residential dwellings, if the construction is conducted by a city housing authority. The bill would finance this new program with an annual \$4.0 million transfer.

The bill, as introduced, would have transferred money from the State Gaming Revenues Fund (SGRF) in FY 2008 and FY 2009 totaling \$4.0 million in each fiscal year to the Housing Development Grant Program Fund created in the bill. Because of the bill's effective date, it would affect SGRF monies in the

current year. Current law requires the first \$50.0 million of receipts to the SGRF to be divided by a formula which first transfers \$80,000 to the Problem Gambling and Addictions Grant Fund (PGAGF). Next, 85.0 percent of the balance is transferred to the Economic Development Initiatives Fund (EDIF), 10.0 percent to the Correctional Institutions Building Fund (CIBF), and 5.0 percent to the Juvenile Detention Facilities Fund (JDFF). In FY 2008 and FY 2009, it is estimated that \$80,000 will be transferred to the PGAGF, \$42,432,000 to the EDIF, \$4,992,000 to the CIBF, and \$2,496,000 to the JDFF.

Because SB 417, as introduced, did not increase the \$50.0 million statutory cap on the SGRF or adjust the formula which distributes the remaining monies, after the \$80,000 is transferred to the PGAGF and \$4.0 million would be transferred to the Housing Development Grant Program Fund, the EDIF would receive \$39,032,000 from the SGRF in FY 2008 and FY 2009, which is a reduction of \$3.4 million in each fiscal year from the amount proposed in the *FY 2009 Governor's Budget Report*. The CIBF would receive \$4,592,000 in FY 2008 and FY 2009, a reduction of \$400,000 in each fiscal year; and the JDFF would receive \$2,296,000, a reduction of \$200,000 in each fiscal year.

The KHRC fiscal note indicates that the administrative costs of managing the new grant program, including the costs to hire an additional full-time employee to serve as program manager, would be approximately \$80,000. The administrative expenses incurred by the KHRC are proposed to be paid from the annual \$4.0 million transfer, with the remainder of funds to be made available for the housing development grants. The Governor recommends a transfer in FY 2009 of \$3.0 million from the Expanded Lottery Act Revenues Fund (ELARF) to the State Housing Trust Fund for the same purposes as defined in this bill.

Conferees in the Senate Committee appearing in support of the bill included Senator Derek Schmidt and Representative Dennis McKinney; representatives of numerous local governments, including Coffeyville, Chanute, Erie, Greensburg,

Independence, Iola, Montgomery County, and Neodesha; and representatives of other organizations, including the Greensburg/Kiowa County Economic Development Agency, the Coffey County Housing Authority, the Greater Kansas City Local Initiatives Support Corporation, and the Kansas Development Finance Authority.

The Senate Committee on Ways and Means amended SB 417 to change the \$4.0 million financing from the State Gaming Revenues Fund to the State General Fund in FY 2008 and to the Expanded Lottery Act Revenues Fund (ELARF) in FY 2009 and subsequent years. In addition, the Senate Committee changed the initial four years (2011) to three years (2010) for the program to apply only to disaster areas. Finally, the Senate Committee changed the fund that would receive the financing to the State Housing Trust Fund, rather than the proposed new fund, the Housing Development Grant Program Fund. The State Housing Trust Fund was established previously in the State Treasury and is administered by the Housing Division of KDFA. A \$50,000 limit on grant awards was included in the Senate version of the bill.

The Senate Committee of the Whole amended the bill to include a sunset date of July 1, 2015 for the new housing grant program.

The House Committee on Appropriations changed all the financing to the State General Fund and limited grant awards to \$25,000 for single-family dwellings.

The House Committee of the Whole deleted an exemption from the public notice and hearing requirement for local projects and plans. Counties also were added as eligible entities to receive funding from the programs.