

## SENATE BILL No. 134

By Senator Bruce

1-22

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9 AN ACT concerning economic development; relating to qualified indus-  
10 trial manufacturers; prescribing certain transfers; establishing the spe-  
11 cial qualified industrial manufacturer fund.  
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13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. The provisions of this act shall be known as and may be  
15 cited as the qualified industrial manufacturer act.

16 Sec. 2. For the purposes of this act:

17 (a) "Agreement" means an agreement entered into between the qual-  
18 ified industrial manufacturer and the secretary for benefits under this act.

19 (b) "Gross compensation" means gross wages and benefits paid to or  
20 on behalf of employees receiving wages.

21 (c) "Qualified industrial manufacturer" means a person, corporation,  
22 partnership or other entity engaged in the manufacturing of hydraulics  
23 in Reno county, Kansas, that satisfies conditions imposed by the secretary  
24 which shall include, among other conditions, that the person, corporation,  
25 partnership or other entity meet the requirements of subsection (a) of  
26 section 3, and amendments thereto, and anticipates paying at least  
27 \$12,500,000 in annual gross compensation to employees located in Kansas  
28 and anticipates maintaining such operation for a period of at least ten  
29 years.

30 (d) "Secretary" means the secretary of commerce.

31 Sec. 3. (a) A qualified industrial manufacturer may be eligible for a  
32 period of no more than ten calendar years to receive an amount, not to  
33 exceed \$2,000,000 in the aggregate, from the special qualified industrial  
34 manufacturer fund.

35 (b) A qualified industrial manufacturer may apply to the secretary to  
36 enter into an agreement for benefits under this act. The application shall  
37 include (1) evidence that the applicant is a qualified industrial manufac-  
38 turer as defined in section 2, and amendments thereto, and (2) that the  
39 qualified industrial manufacturer agrees to make certain improvements  
40 to such manufacturer's plant located in Hutchinson, Kansas.

41 (c) Upon receipt of an application described in subsection (b), if the  
42 secretary finds that the application is from a qualified industrial manu-  
43 facturer, the secretary may enter into an agreement with the qualified

1 industrial manufacturer for benefits under this act. The agreement shall  
2 commit the secretary to request that for a period of no longer than ten  
3 years, at the discretion of the secretary, from the date of the executed  
4 agreement, an amount not to exceed \$2,000,000, from the special quali-  
5 fied industrial manufacturer fund created in subsection (d) and shall be  
6 transferred by the state treasurer to the qualified industrial manufacturer.  
7 The agreement shall set forth the terms and conditions under which the  
8 secretary shall direct the state treasurer to transfer revenues in the special  
9 qualified industrial manufacturer fund to the qualified industrial manu-  
10 facturer. In the first three years of the agreement, 90% of the qualified  
11 industrial manufacturer's Kansas payroll withholding taxes shall be paid  
12 out. In the remaining seven years of the agreement, 40% of the qualified  
13 industrial manufacturer's Kansas payroll withholding taxes shall be paid  
14 out. In the event the qualified industrial manufacturer fails to comply  
15 with the terms and conditions set forth in the agreement, the agreement  
16 shall provide that the secretary may terminate the agreement, and the  
17 qualified industrial manufacturer shall not be entitled to further distri-  
18 butions from the special qualified industrial manufacturer fund.

19 (d) The state treasurer shall credit all revenue collected or received  
20 from withholding upon Kansas wages paid by a taxpayer which is a qual-  
21 ified industrial manufacturer, as certified by the secretary, to the special  
22 qualified industrial manufacturer fund, which fund is hereby created in  
23 the custody of the state treasurer, but which fund shall not be a part of  
24 the state treasury or the state general fund. Distributions from the fund  
25 shall not be subject to appropriation. On or before the 10th day of each  
26 month, the director of accounts and reports shall transfer from the state  
27 general fund to the special qualified industrial manufacturer fund interest  
28 earnings based on: (1) The average daily balance of moneys in the special  
29 qualified industrial manufacturer fund for the preceding month; and (2)  
30 the net earnings rate of the pooled money investment portfolio for the  
31 preceding month. The provisions of this section shall expire when all  
32 revenues that, pursuant to the agreement are to be paid to the qualified  
33 industrial manufacturer, have been distributed. Moneys credited to the  
34 special qualified industrial manufacturer fund in accordance with the  
35 foregoing provisions shall be distributed on the order of the secretary.  
36 The state treasurer shall make such distributions on such dates as mu-  
37 tually agreed to by the secretary and the state treasurer, serving as paying  
38 agent pursuant to the terms of the agreement. The total of all distributions  
39 under this section shall not exceed \$2,000,000.

40 (e) A qualified industrial manufacturer shall not be allowed to partic-  
41 ipate in the IMPACT act or program pursuant to K.S.A. 74-50,102 et  
42 seq., and amendments thereto. The secretary may include provisions in  
43 the agreement described in subsection (c) to limit or reduce the amount

1 of eligible credits related to the provisions of this act, including, but not  
2 limited to, those allowed pursuant to K.S.A. 79-32,160a or 79-32,182b,  
3 and amendments thereto. Nothing in this subsection shall be construed  
4 to prohibit the qualified industrial manufacturer from receiving credits  
5 allowed by law for any investment not related to the provisions of this  
6 act.

7 (f) The agreement between the qualified industrial manufacturer and  
8 the secretary shall be entered into before any benefits may be provided  
9 under this act, and shall specify that should the qualified industrial man-  
10 ufacturer fail to comply with the terms set forth in the agreement, the  
11 secretary may terminate the agreement, and the qualified industrial man-  
12 ufacturer shall not be entitled to further distributions from the special  
13 qualified industrial manufacturer fund.

14 (g) Benefits authorized pursuant to this act shall not be used to pro-  
15 vide for or to increase compensation packages, rewards, bonuses, pen-  
16 sions, enhanced retirement, stock options, buyouts or substantial sever-  
17 ance pay or other financial benefits to any chief executive officer, chief  
18 financial officer or any officers of the company.

19 Sec. 4. (a) The secretary shall transmit annually to the governor, the  
20 standing committee on commerce of the senate, the standing committee  
21 on economic development of the house of representatives and the joint  
22 committee on economic development, a report, based upon information  
23 received from each qualified industrial manufacturer for which benefits  
24 have been issued during the preceding year, describing the following: (1)  
25 The manner in which the purpose, as described in this act, has been  
26 carried out;

27 (2) an estimate of jobs created and jobs preserved by cash invest-  
28 ments made in qualified industrial manufacturers; and

29 (3) an estimate of the multiplier effect on the Kansas economy of the  
30 cash investments made pursuant to this act.

31 (b) The secretary shall conduct an annual review of the activities un-  
32 dertaken pursuant to this act to ensure that benefits issued pursuant to  
33 this act are issued in compliance with the provisions of this act or rules  
34 and regulations adopted by the department with respect to this act.

35 (c) Any violation of the reporting requirements set forth in the agree-  
36 ment shall be grounds for loss of designation as a qualified industrial  
37 manufacturer under this section.

38 (d) If the secretary determines that a qualified industrial manufac-  
39 turer is not in substantial compliance with the requirements of this act,  
40 the secretary, by written notice, shall inform the officers of the qualified  
41 industrial manufacturer that such qualified industrial manufacturer shall  
42 lose its designation as a qualified industrial manufacturer unless such  
43 qualified industrial manufacturer corrects the deficiencies and is once

- 1 again in compliance with the requirements for designation.
- 2     Sec. 5. This act shall take effect and be in force from and after its
- 3 publication in the Kansas register.