

## HOUSE BILL No. 2282

By Committee on Financial Institutions and Rural Development

2-9

1 AN ACT concerning agriculture; relating to financial institutions; enacting  
2 the Kansas agricultural loan guarantee program; allowing the state  
3 treasurer to enter into agreements with eligible applicants to guarantee  
4 agricultural loans up to 80% of the value of the loan; creating a  
5 committee to review and approve applications for agricultural loan  
6 guarantees.

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

9 Section 1. Sections 1 through 6, and amendments thereto, shall be  
10 known and may be cited as the Kansas agricultural loan guarantee  
11 program.

12 Sec. 2. As used in sections 1 through 6, and amendments thereto:

13 (a) "Eligible applicant" means a person applying for a loan guarantee  
14 under the Kansas agricultural loan guarantee program who complies with  
15 the application procedures prescribed under the program.

16 (b) "Farming" means the cultivation of land for the production of  
17 agricultural crops, the raising of poultry, the production of eggs, the  
18 production of milk, the production of fruit or other horticultural crops,  
19 grazing or the production of livestock. "Farming" does not include the  
20 production of timber, forest products, nursery products or sod, and  
21 "farming" does not include a contract to provide spraying, harvesting or  
22 other farm services.

23 (c) "Financial institution" means any bank, trust company, savings  
24 bank, credit union or savings and loan association or any other financial  
25 institution regulated by the state of Kansas, any agency of the United  
26 States or other state that is approved by the state treasurer.

27 (d) "Kansas agricultural loan guarantee program" or "program"  
28 means sections 1 through 6, and amendments thereto.

29 (e) "Loan transaction" means a transaction with a financial institution  
30 to provide financing for an eligible applicant's proposed or current farming  
31 operation.

32 (f) "Person" means any individual or any entity permitted to own,  
33 acquire or otherwise obtain or lease any agricultural land in this state  
34 under K.S.A. 17-5904, and amendments thereto, that derives more than  
35 50% of such individual's or entity's annual gross income from farming.

36 Sec. 3. (a) (1) After receiving approval by the agricultural loan

1 guarantee review committee established in section 4, and amendments  
2 thereto, the state treasurer may enter into an agricultural loan guarantee  
3 plan with an eligible applicant to guarantee a loan made by a financial  
4 institution for the purposes prescribed by the Kansas agricultural loan  
5 guarantee program.

6 (2) Each agricultural loan guarantee plan entered into by the state  
7 treasurer to guarantee against default on a loan transaction shall be backed  
8 by the agricultural loan guarantee fund established in section 5, and  
9 amendments thereto.

10 (b) The aggregate principal amount of outstanding loan guarantees  
11 for an eligible applicant shall not exceed \$250,000. The aggregate  
12 outstanding amount of all loan guarantees for eligible applicants under the  
13 Kansas agricultural loan guarantee program shall not exceed \$10,000,000  
14 at any time.

15 (c) Conventional loans may be guaranteed up to 80% of the value of  
16 the loan under the Kansas agricultural loan guarantee program, subject to  
17 the other requirements of the program and the rules and regulations  
18 adopted by the state treasurer.

19 (d) (1) A loan guarantee recipient may use proceeds from the loan for  
20 working capital for a proposed or current farming operation, including the  
21 lease of facilities and the purchase of machinery and equipment, or for any  
22 agriculture-related business purpose, including the purchase of real estate,  
23 as identified in the recipient's agricultural loan guarantee plan.

24 (2) Any loan guarantee granted under the Kansas agricultural loan  
25 guarantee program shall be voidable by the state treasurer if the recipient  
26 uses loan proceeds for any purposes other than those identified in the  
27 recipient's agricultural loan guarantee plan. The state treasurer shall  
28 include this restriction as a condition in each loan guarantee instrument  
29 executed under the program.

30 (e) (1) The state treasurer shall adopt policies and rules and  
31 regulations that the state treasurer deems necessary for the implementation  
32 or administration of the Kansas agricultural loan guarantee program,  
33 including the development of an application process.

34 (2) The state treasurer may enter into contracts the state treasurer  
35 deems necessary for the implementation or administration of the Kansas  
36 agricultural loan guarantee program.

37 (3) The state treasurer may impose fees and charges as may be  
38 necessary to recover costs incurred for the implementation or  
39 administration of the Kansas agricultural loan guarantee program.

40 Sec. 4. (a) There is hereby established the agricultural loan guarantee  
41 review committee within the office of the state treasurer.

42 (b) The agricultural loan guarantee review committee shall consist of:

43 (1) Five voting members appointed by the state treasurer; and

1 (2) the state treasurer or the state treasurer's designee, who shall serve  
2 as a nonvoting chairperson of the agricultural loan guarantee review  
3 committee.

4 (c) The committee shall annually elect a vice-chairperson from  
5 among its members.

6 (d) The committee shall meet upon the call of the chairperson or upon  
7 the call of any two of its members.

8 (e) Three voting members shall constitute a quorum for the  
9 transaction of business.

10 (f) The agricultural loan guarantee review committee shall:

11 (1) Review all applications for agricultural loan guarantees submitted  
12 in accordance with the requirements of the Kansas agricultural loan  
13 guarantee program;

14 (2) approve applications that the committee deems to represent  
15 reasonable risks and to have a sufficient likelihood of repayment; and

16 (3) advise the state treasurer on matters regarding the administration  
17 of the Kansas agricultural loan guarantee program.

18 (g) Voting members of the agricultural loan guarantee review  
19 committee attending meetings of the committee, or attending a  
20 subcommittee meeting thereof authorized by the committee, shall be paid  
21 subsistence allowances, mileage and expenses as provided in K.S.A. 75-  
22 3223, and amendments thereto.

23 Sec. 5. (a) There is hereby established the agricultural loan guarantee  
24 fund in the state treasury for the purposes of facilitating loan guarantees  
25 for proposed or current farming operations. The agricultural loan guarantee  
26 fund shall be administered by the state treasurer. All moneys in the  
27 agricultural loan guarantee fund shall be used to provide guarantees  
28 against loan risks in accordance with the Kansas agricultural loan  
29 guarantee program and to pay for the administrative costs associated with  
30 the program as may be certified by the state treasurer. All expenditures  
31 from the agricultural loan guarantee fund shall be made in accordance with  
32 appropriation acts upon warrants of the director of accounts and reports  
33 issued pursuant to vouchers approved by the state treasurer or the state  
34 treasurer's designee.

35 (b) Such fund shall consist of amounts:

36 (1) Appropriated by the legislature for the purposes of the fund;

37 (2) transferred from the state general fund in accordance with  
38 subsection (d);

39 (3) accrued from interest in accordance with subsection (e); and

40 (4) received by the state treasurer in the form of gifts, grants or  
41 reimbursements from any source intended to be used for the purposes of  
42 the fund.

43 (c) All fees and charges imposed by the state treasurer and other

1 moneys received by the state treasurer for the purposes of the Kansas  
2 agricultural loan guarantee program shall be deposited in the state treasury  
3 to the credit of the agricultural loan guarantee fund.

4 (d) Upon certification by the state treasurer to the director of accounts  
5 and reports that the unencumbered balance in the agricultural loan  
6 guarantee fund is insufficient to pay an amount for an agricultural loan  
7 guarantee for which the fund is liable under the Kansas agricultural loan  
8 guarantee program, the director of accounts and reports shall transfer an  
9 amount equal to the insufficiency from the state general fund to the  
10 agricultural loan guarantee fund. The state treasurer shall transmit a copy  
11 of each such certification to the director of the budget and to the director  
12 of legislative research at the same time that the state treasurer submits a  
13 certification to the director of accounts and reports under this subsection.

14 (e) On or before the 10<sup>th</sup> day of each month, the director of accounts  
15 and reports shall transfer from the state general fund to the agricultural  
16 loan guarantee fund interest earnings based on:

17 (1) The average daily balance of moneys in the agricultural loan  
18 guarantee fund for the preceding month; and

19 (2) the net earnings rate of the pooled money investment portfolio for  
20 the preceding month.

21 Sec. 6. The state treasurer shall prepare an annual report of the loan  
22 guarantee activity under the Kansas agricultural loan guarantee program,  
23 including new loans, loan repayment status and other relevant information  
24 regarding activities under the program and, on or before February 1 of  
25 each year, shall submit the report to the committee on ways and means of  
26 the senate, or the appropriate subcommittee thereof, or its successor  
27 committee, and to the committee on appropriations of the house of  
28 representatives, or the appropriate budget committee, or its successor  
29 committee.

30 Sec. 7. This act shall take effect and be in force from and after its  
31 publication in the Kansas register.