

February 16, 2021

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions and Rural Development
Statehouse, Room 581A-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2282 by House Committee on Financial Institutions and Rural Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2282 is respectfully submitted to your committee.

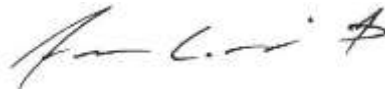
HB 2282 would create the Kansas Agricultural Loan Guarantee Program to facilitate loan guarantees for proposed or current farming operations. The program would be administered by the State Treasurer. The bill establishes the Agricultural Loan Guarantee Review Committee to review and approve applications for agricultural loan guarantees and to advise the State Treasurer regarding the administration of this program. The five voting members would be appointed by the State Treasurer, and the State Treasurer or their designee would serve as the nonvoting chairperson of the committee. With approval from the committee, the State Treasurer would enter into an agricultural loan guarantee plan with an eligible applicant to guarantee a loan made by a financial institution. The aggregate principal amounts of outstanding loan guarantees for an eligible applicant would not exceed \$250,000, and the aggregate outstanding amount of all loan guarantees would not exceed \$10.0 million. Conventional loans may be guaranteed up to 80.0 percent of the value of the loans under the program.

The bill creates the Agricultural Loan Guarantee Fund that would be used to provide guarantees against loans and to pay for administrative costs associated with the program. The bill does not include funding for this new program; however, the bill indicates that the program would be funded by an appropriation of the Legislature. If the balance in the Agricultural Loan Guarantee Fund is insufficient to pay an amount for an agricultural loan guarantee, then the bill would allow a transfer from the State General Fund to make the fund solvent. The State Treasurer would have the authority to write rules and regulations to implement the program. The bill allows the State Treasurer to impose fees and charges to recover costs incurred for the implementation and

administration of this program. The State Treasurer would be allowed to enter into any contract for the implementation or administration of the program. The State Treasurer would be required to prepare an annual report of the loan guarantee activity under the program, including new loans, loan repayment status and other relevant information to the Senate Committee on Way and Means and the House Committee on Appropriations by February 1st of each year. The bill would take effect upon its publication in the *Kansas Register*.

The Office of the State Treasurer estimates enactment of the bill would increase expenditures by \$149,500 in FY 2022 and the agency would request that amount come from the State General Fund. The Office estimates enactment of the bill would require the agency to hire at least 1.00 new FTE position to manage this new program. In addition, there may be the need to hire a Credit Analyst position depending on how many applications for agricultural loan guarantees are received. Over time, the program would become self-supporting by assessing fees. The agency did not estimate when the program would become self-sustaining. The bill includes language that allows the State General Fund to transfer monies to the Agricultural Loan Guarantee Fund if a loan is defaulted that requires the State of Kansas to pay the agricultural loan guarantee. The State Treasurer does not have data on agricultural loan default rates to make a precise estimate of any future State General Fund transfers that would be used to guarantee loans. Any fiscal effect associated with HB 2282 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lauren Tice Miller, Office of the Treasurer
Scott Miller, PMIB