

March 22, 2011

The Honorable Forrest Knox, Chairperson
House Committee on Financial Institutions
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Knox:

SUBJECT: Fiscal Note for HB 2388 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2388 is respectfully submitted to your committee.

Under current law, the Kansas Development Finance Authority (KDFA) may use bond proceeds, and any other available funds, for venture capital investments; purchasing, leasing, constructing or restoring facilities; making loans; and purchasing mortgages or security interests. HB 2388 would provide for a statewide implementation of a single family mortgage revenue bond program. The program would facilitate origination of mortgages for low to moderate income homeowners. KDFA would adopt policies to facilitate the financing of home mortgage loans in those areas of the state which are not included in any metropolitan statistical area.

The bill would direct the Secretary of Commerce to prepare and submit rules and regulations setting forth a scoring matrix for the award of housing tax credits. The Secretary would apply the scoring matrix in the allocation of the housing tax credit. The provision would be part of and supplemental to the Kansas Private Activity Bond Allocation Act. The Kansas Housing Resources Corporation currently has this responsibility.

HB 2388 would also require that KDFA be subject to the Kansas Governmental Operations Accountability Law which would require the Legislative Division of Post Audit to evaluate KDFA's programs and operations. The findings would be reviewed and evaluated during the 2012 Session of the Legislature. Finally, the bill would increase the membership of the KDFA Board of Directors by adding two members with housing expertise.

KDFA notes that it operates as a public corporation and upon the passage of HB 2388 KDFA would anticipate delegating much of the home mortgage program's administrative functions to its subsidiary corporation, the Kansas Housing Resources Corporation. Initial costs associated with hiring or engaging personnel with expertise in single family revenue bond program mechanics, mortgage servicing, and securitization processes for home mortgage loans

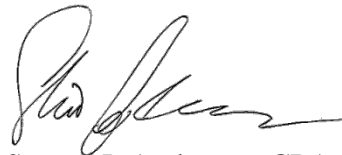
The Honorable Forrest Knox, Chairperson

March 22, 2011

Page 2—Fisc_Note_Hb2388

would initially be substantial. K DFA anticipates that based on other state programs, fees associated with the operation of the program would eventually offset administrative costs for K DFA. The bill is not clear but the state could be responsible for bond issuance fees, initial costs and ongoing administrative fees; however, no funding source or agency is identified in the bill to bear the responsibility. The Department of Commerce reports the bill would have no fiscal effect. Any fiscal effect associated with HB 2388 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Nancy Wolfe, K DFA
Traci Herrick, Commerce