

March 11, 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 2320 by House Committee on Financial Institutions and Rural Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2320 is respectfully submitted to your committee.

HB 2320 would create the Commercial Property Assessed Clean Energy Act, or C-PACE Act, which provides financing for certain energy, water, air, health, and renewable energy efficiency improvements through assessment contracts between C-PACE lenders and property owners. The Department of Commerce would adopt rules and regulations to administer the Act, including requiring projects to meet certain energy, water, or air efficiency, quality or renewable energy standards. The bill would also impose an additional layer of administrative review of construction projects conducted in the state. Each C-PACE lender would have to file an annual report for the proceeding calendar year no later than each March 1 with the Secretary of State and the Department of Commerce.

The bill also would describe items to be included and the requirements to be followed when a C-PACE lender and the benefited property owner with a qualifying project on a qualifying property execute an assessment contract. The bill would establish certain rights, duties, and responsibilities for mortgage lenders regarding C-PACE assessments. No later than October 1, 2021, any mortgage lender would be required to develop a written internal policy for how to process and administer C-PACE requests for consent.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$150,300	\$150,300
FTE Pos.	--	--	--	1.00

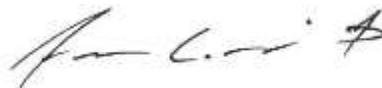
The Department of Commerce states that it would require \$150,300 in FY 2022 and \$95,300 in subsequent years, all from the State General Fund, to implement the requirements of the bill. Of that amount for FY 2022, \$74,250 would be for salary and wages for 1.00 FTE position, \$50,000 for consulting fees, \$20,000 would be for travel expenses, and \$6,050 would be for other operating expenditures. For the out years, \$74,250 would be for salaries and wages for 1.00 FTE position, \$15,000 would be for travel expenses, and \$6,050 would be for other operating expenditures.

Financial institutions regulated by the Office of the State Bank Commissioner (OSBC) pay assessment fees to the OSBC to cover the costs of examination and administering Kansas banking and mortgage laws. For banks, those assessment amounts are determined by statute and are based on total assets. Changes in the assets of banks could cause a proportional change in assessment fees. Change in the assets of financial institutions in general could cause negligible changes in the amount of examiner hours required. The agency estimates the fiscal effect would be negligible and could be absorbed within existing resources or by additional revenues created by the bill.

Department of Revenue, Secretary of State, and Department of Credit Unions state that the bill would not have a fiscal effect on the agencies. Any fiscal effect associated with HB 2320 is not reflected in *The FY 2022 Governor's Budget Report*.

The League of Kansas Municipalities states that PACE loans are treated as property tax. If a loan would default, it could reduce city property tax revenues; however, a fiscal effect cannot be estimated. The Kansas Association of Counties states that the bill would have a fiscal effect for counties to record special assessments in county records as required by the bill. The county treasurer would also be required to collect the assessment, except delinquencies. However, a fiscal effect for counties cannot be estimated.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Sherry Rentfro, Department of Commerce
Melissa Wangemann, Office of Banking Commissioner
Vickie Hurt, Credit Unions
Sandy Tompkins, Office of the Secretary of State
Lynn Robinson, Department of Revenue
Wendi Stark, League of Municipalities
Jay Hall, Association of Counties