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**NEUTRAL Testimony on SB 15: Establishing the Kansas Economic Recovery Loan Deposit Program
Given by: Lynn Rogers, Kansas State Treasurer**

Chairman Longbine and Members of the Committee:

It is a privilege to be addressing you as the 41st State Treasurer of Kansas. In the two weeks I've been on the job, I have enjoyed getting to know the dedicated professional staff of the office. In addition to administering other linked deposit programs, the Office of the Treasurer provides fiscal services that ensure safe, efficient, and transparent operation of state government. We also administer programs such as unclaimed property, education savings, ABLE accounts, and others that benefit hardworking Kansans

I am here today to offer neutral testimony on Senate Bill 15, which establishes an additional linked deposit program to be administered by our office. Currently, we administer two other Linked Deposit Programs: the Kansas Agriculture Production Loan Deposit Program (APLDP) and the Kansas Housing Loan Deposit Program (HLDP). These programs would remain in place with no changes as Senate Bill 15 is currently written. The implementation of a new program would require the addition of one full-time employee to our staff.

There is no doubt Kansas has experienced devastating losses as a result of the public health crisis. Kansans and Kansas small businesses are struggling to recover as we continue to endure COVID-19. Senate Bill 15 would create a Linked Deposit Program specific to providing struggling businesses and agriculture operations with another avenue of assistance.

\$60 million would be allocated from PMIB to be used for loans of up to \$250,000 that could be amortized for 10 years. Loans approved through this program would be underwritten by local financial institutions, including banks, credit unions, and farm credit, with an interest rate of no more than 3% rather than the 4% rate over the cost of funds of our current linked deposit programs. There would be no credit risk to the State of Kansas.

I strongly believe this program would provide an excellent opportunity to offer support to Main Street Kansas businesses and agriculture operations that have been financially impacted by COVID-19. However, I would suggest the following changes to strengthen it:

- **Residency requirement:** As written, SB 15 does not have a residency requirement for the borrowers and their businesses. If we truly want to help Kansans with Kansas taxpayer dollars, this program should specify that the loans are for Kansas residents with Kansas businesses;

- **Farm Credit Alignment:** It appears under Kansas statute, banks and credit unions are required to have headquarters or at least one branch in Kansas, but we don't see that same requirement for farm credit institutions;
- **Defined Businesses:** While it is presumed that the amount of \$250,000 would be utilized by just small business operations, the bill does not clearly define for whom these loans are truly intended; and,
- **Sunset:** To be a program used for the purpose of recovery from setbacks of COVID-19, it should not be left open ended.

I spent my entire career in banking and bring to this position more than 40 years of experience working in all aspects of the industry. I retired in 2016 from agriculture banking. I understand how beneficial these low-cost loans are to Kansans, Kansas businesses, and Kansas financial institutions. With these few minor changes, this program would bring a win-win situation to the state of Kansas during these particularly challenging times.

I welcome anyone with further questions or comments to please contact me or my staff so that we can work together to craft the best possible version of this bill.

Sincerely,

Lynn Rogers
Kansas State Treasurer