Division of the Budget Landon State Office Building 900 SW Jackson Street, Room 504 Topeka. KS 66612



Phone: (785) 296-2436 adam.c.proffitt@ks.gov http://budget.kansas.gov

Adam Proffitt, Director

Laura Kelly, Governor

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:

respectfully submitted to your committee.

SUBJECT: Fiscal Note for HB 2268 by House Committee on Financial Institutions and Rural Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2268 is

HB 2268 would create the Kanas Rural Home Loan Guarantee Act. The bill would require the State Treasurer to enter into agreements with financial institutions to provide loan guarantees against risk of default for rural housing loans. The State Treasurer would administer the Act and adopt rules and regulations for implementation or administration, including the application process. The State Treasurer could enter into contracts to implement or administer the Act. The agency could also impose fees and charges that would be necessary to recover costs incurred for the administration of the Act. The State Treasurer would also be required to prepare an annual report beginning with the 2022 Legislative Session. The bill describes the items to be included in the report and who would receive it. The bill also describes what type of loan transactions would be eligible and the limits for the loan amount.

The bill would establish the Rural Home Loan Guarantee Fund within the State Treasurer's Office. The Fund would be used to provide guarantees against loan risks and to pay for administrative costs. The bill details the type of liabilities the new fund would be allowed to pay and the limits. If there are insufficient funds to pay a loan guarantee, HB 2268 would require funds to be transferred from the State General Fund to the Rural Home Loan Guarantee Fund. The State Treasurer would send a transfer certification to the Director of the Budget, the Director of Legislative Research, and the Director of Accounts and Reports of the Department of Administration.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue				
Expenditure			\$149,500	
FTE Pos.			2.00	

The State Treasurer's Office would need to hire 2.00 FTE positions at a cost of \$149,500 from the State General Fund in FY 2022. The agency would hire 1.00 Chief Credit Officer FTE position with salaries and wages expenditures totaling \$84,500 and 1.00 Credit Analyst FTE position with salaries and wages expenditures totaling \$65,000. The agency would need State General Fund until there is enough money in the newly created fund to finance the additional positions.

The Kansas Department of Revenue states that HB 2268 could affect the State General Fund if the newly created Rural Home Loan Guarantee Fund did not have sufficient funds to pay for a loan guarantee because the bill would require a transfer from the State General Fund to the Rural Home Loan Guarantee Fund to cover the shortfall. However, a fiscal effect cannot be determined.

The Kansas Department of Credit Unions, the Office of the State Bank Commissioner, and the Secretary of State all indicate that HB 2268 would not have a fiscal effect on the agencies. Any fiscal effect associated with HB 2268 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

Adam Proffitt

Director of the Budget

cc: Sandy Tompkins, Office of the Secretary of State
Vickie Hurt, Credit Unions
Melissa Wangemann, Office of Banking Commissioner
Lauren Tice Miller, Office of the Treasurer
Willie Prescott, Office of the Attorney General
Lynn Robinson, Department of Revenue