

SENATE BILL No. 427

By Committee on Ways and Means

2-14

1 AN ACT concerning the Kansas housing loan deposit program; relating to
2 the building or rehabilitation of adult care homes; amending K.S.A.
3 2011 Supp. 75-4209, 75-4277, 75-4278 and 75-4279 and repealing the
4 existing sections.
5

6 *Be it enacted by the Legislature of the State of Kansas:*

7 **Section 1.** *K.S.A. 2011 Supp. 75-4209 is hereby amended to read as*
8 *follows: 75-4209. (a) The director of investments may invest and reinvest*
9 *state moneys eligible for investment which are not invested in*
10 *accordance with K.S.A. 75-4237, and amendments thereto, in the*
11 *following investments:*

12 *(1) Direct obligations of, or obligations that are insured as to*
13 *principal and interest by, the United States of America or any agency*
14 *thereof and obligations and securities of the United States sponsored*
15 *enterprises which under federal law may be accepted as security for*
16 *public funds, on and after the effective date of this act moneys available*
17 *for investment under this subsection shall not be invested in mortgage-*
18 *backed securities of such enterprises and of the government national*
19 *mortgage association, except that any such mortgage-backed securities*
20 *held prior to the effective date of this act may be held to maturity;*

21 *(2) repurchase agreements with a bank or a primary government*
22 *securities dealer which reports to the market reports division of the*
23 *federal reserve bank of New York for direct obligations of, or obligations*
24 *that are insured as to principal and interest by, the United States*
25 *government or any agency thereof and obligations and securities of*
26 *United States government sponsored enterprises which under federal*
27 *law may be accepted as security for public funds;*

28 *(3) commercial paper that does not exceed 270 days to maturity and*
29 *which has received one of the two highest commercial paper credit*
30 *ratings by a nationally recognized investment rating firm; and*

31 *(4) corporate bonds which have received one of the two highest*
32 *ratings by a nationally recognized investment rating firm.*

33 *(b) When moneys are available for deposit or investments, the*
34 *director of investments may invest in SKILL act projects and bonds*
35 *pursuant to K.S.A. 74-8920, and amendments thereto, and in state*
36 *agency bonds and bond projects.*

1 (c) *When moneys are available for deposits or investments, the*
2 *director of investments may invest in preferred stock of Kansas venture*
3 *capital, inc., under terms and conditions prescribed by K.S.A. 74-8203,*
4 *and amendments thereto, but such investments shall not in the*
5 *aggregate exceed a total amount of \$10,000,000.*

6 (d) *When moneys are available for deposits or investments, the*
7 *director of investments may invest in loans pursuant to legislative*
8 *mandates, except that not more than the greater of 10% or \$140,000,000*
9 *of the state moneys shall be invested.*

10 (e) *Interest on investment accounts in banks is to be paid at*
11 *maturity, but not less than annually.*

12 (f) *Investments made by the director of investments under the*
13 *provisions of this section shall be made with judgment and care, under*
14 *circumstances then prevailing, which persons of prudence, discretion*
15 *and intelligence exercise in the management of their own affairs, not for*
16 *speculation, but for investment, considering the probable safety of their*
17 *capital as well as the probable income to be derived.*

18 (g) *Investments under subsection (a) or (b) or under K.S.A. 75-*
19 *4237, and amendments thereto, shall be for a period not to exceed four*
20 *years, except that linked deposits authorized under the provisions of*
21 *K.S.A. 2-3703 through 2-3707, and amendments thereto, shall not*
22 *exceed a period of 10 years; agricultural production loan deposits*
23 *authorized under the provisions of K.S.A. 2011 Supp. 75-4268 through*
24 *75-4274, and amendments thereto, shall not exceed a period of eight*
25 *years and housing loan deposits authorized under K.S.A. 2011 Supp. 75-*
26 *4276 through 75-4282, and amendments thereto, shall not exceed a*
27 *period of five years or 20 years, as applicable pursuant to K.S.A. 2011*
28 *Supp. 75-4279, and amendments thereto.*

29 (h) *Investments in securities under paragraph (1) of subsection (a)*
30 *shall be limited to securities which do not have any more interest rate*
31 *risk than do direct United States government obligations of similar*
32 *maturities. For purposes of this subsection, "interest rate risk" means*
33 *market value changes due to changes in current interest rates.*

34 (i) *The director of investments shall not invest state moneys eligible*
35 *for investment under subsection (a), in the municipal investment pool*
36 *fund, created under K.S.A. 12-1677a, and amendments thereto.*

37 (j) *The director of investments shall not invest moneys in the pooled*
38 *money investment portfolio in derivatives. As used in this subsection,*
39 *"derivatives" means a financial contract whose value depends on the*
40 *value of an underlying asset or index of asset values.*

41 (k) *Moneys and investments in the pooled money investment*
42 *portfolio shall be invested and reinvested by the director of investments*
43 *in accordance with investment policies developed, approved, published*

1 *and updated on an annual basis by the board. Such investment policies*
2 *shall include at a minimum guidelines which identify credit standards,*
3 *eligible instruments, allowable maturity ranges, methods for valuing the*
4 *portfolio, calculating earnings and yields and limits on portfolio*
5 *concentration for each type of investment. Any changes in such*
6 *investment policies shall be approved by the pooled money investment*
7 *board. Such investment policies may specify the contents of reports,*
8 *methods of crediting funds and accounts and other operating*
9 *procedures.*

10 *(l) The board shall adopt rules and regulations to establish an*
11 *overall percentage limitation on the investment of moneys in investments*
12 *authorized under paragraph (3) of subsection (a), and within such*
13 *authorized investment, the board shall establish a percentage limitation*
14 *on the investment in any single business entity.*

15 ~~Section 1.~~ **Sec. 2.** K.S.A. 2011 Supp. 75-4277 is hereby amended to
16 read as follows: 75-4277. As used in K.S.A. 2011 Supp. 75-4276 through
17 75-4282, and amendments thereto:

18 (a) "Housing loan deposit" means an investment account placed by
19 the director of investments under the provisions of article 42 of chapter 75
20 of the Kansas Statutes Annotated with an eligible lending institution for
21 the purpose of carrying out the intent of this act;

22 (b) "housing loan deposit loan package" means the forms provided by
23 the state treasurer for the purpose of applying for a housing loan deposit;

24 (c) "eligible lending institution" means a depository bank, as defined
25 under K.S.A. 75-4201, and amendments thereto, that agrees to participate
26 in the Kansas housing loan deposit program and is eligible to be a
27 depository of state funds;

28 (d) "eligible developer borrower" means any person, firm or
29 corporation building new houses *or adult care homes* or rehabilitating
30 existing houses; ~~and~~ *or adult care homes*;

31 (e) "house" means a single-family or multi-family dwelling that
32 initially sells or is appraised at or below the average area purchase price
33 safe harbor for the state of Kansas as established by the state treasurer
34 through rules and regulations based on the requirements of section 143(e)
35 of the internal revenue code of 1986 for homes that are eligible for
36 mortgage revenue bonds; *and*

37 (f) "*adult care home*" means the same as in K.S.A. 39-923, and
38 amendments thereto.

39 ~~Sec. 2.~~ **3.** K.S.A. 2011 Supp. 75-4278 is hereby amended to read as
40 follows: 75-4278. (a) The state treasurer is hereby authorized to administer
41 the Kansas housing loan deposit program. Such program shall be for the
42 purpose of providing incentives for the making of housing *and adult care*
43 *homes* construction development loans. The state treasurer shall

1 promulgate rules and regulations to carry out the provisions of K.S.A.
2 2011 Supp. 75-4276 through 75-4282, and amendments thereto.

3 (b) The state treasurer shall submit an annual report outlining the
4 status of the program to the governor and the legislature.

5 Sec. ~~3~~ 4. K.S.A. 2011 Supp. 75-4279 is hereby amended to read as
6 follows: 75-4279. (a) The state treasurer is hereby authorized to
7 disseminate information and to provide housing loan deposit loan
8 packages to the lending institutions eligible for participation in this act.

9 (b) The housing loan deposit loan package shall be completed by the
10 borrower before being forwarded to the lending institution for
11 consideration.

12 (c) (1) An eligible lending institution that agrees to receive a housing
13 loan deposit shall accept and review applications for loans from eligible
14 developer borrowers. The lending institution shall apply all usual lending
15 standards to determine the credit worthiness of eligible developer
16 borrowers. The total aggregate amount of housing loan deposit loans under
17 this program shall not exceed \$60,000,000 of unencumbered funds
18 pursuant to article 42 of chapter 75 of the Kansas Statutes Annotated, and
19 amendments thereto.

20 (2) No more than \$2,000,000 shall be outstanding at any one time to
21 any developer borrower.

22 (3) No loan *for a house* shall be amortized for a period of more than
23 five years.

24 (4) *No loan for an adult care home shall be amortized of a period of*
25 *more than 20 years.*

26 (d) An eligible developer borrower shall certify on its loan
27 application that the reduced rate loan will be used exclusively for the
28 expenses involved in building houses.

29 (e) The eligible lending institution may approve or reject a housing
30 loan deposit loan package based on the lending institution's evaluation of
31 the eligible developer borrowers included in the package, the amount of
32 the individual loan in the package and other appropriate considerations.

33 (f) The eligible lending institution shall forward to the state treasurer,
34 an approved housing loan deposit loan package, in the form and manner
35 prescribed and approved by the state treasurer. The package shall include
36 information regarding the amount of the loan requested by each eligible
37 developer borrower and such other information regarding each eligible
38 developer borrower the state treasurer requires, including a certification by
39 the applicant that such applicant is an eligible developer borrower.

40 (g) From July 1, 2008, through December 31, 2010, 50% of the total
41 aggregate amount available under subsection (c)(1), shall be made
42 available for housing loans to eligible developer borrowers building
43 houses in the city of Chanute, Coffeyville, Erie, Fredonia, Greensburg,

1 Independence, Iola, Neodesha, or Osawatomie, Kansas, or within one mile
2 of the city limits of any such city.

3 ~~Sec. 4.~~ **5.** K.S.A. 2011 Supp. ~~75-4209~~, 75-4277, 75-4278 and 75-4279
4 are hereby repealed.

5 ~~Sec. 5.~~ **6.** This act shall take effect and be in force from and after its
6 publication in the statute book.