

City Utility Low-Interest Loan Program; House Sub. for SB 88

House Sub. for SB 88 creates the City Utility Low-Interest Loan Program (Program), which provides loans to cities for extraordinary electric or natural gas costs incurred during the extreme winter weather event of February 2021. The total aggregate amount of loans issued under the Program, which will be administered by the State Treasurer, cannot exceed \$100.0 million of unencumbered funds. The bill also amends law governing the investment of state moneys to add Program loans and applicable interest rates.

The bill took effect upon publication in Issue 9A of the *Kansas Register* on March 4, 2021.

City Utility Low-Interest Loan Program (New Section 1)

The bill designates its provisions and amendments thereto as the Program. The Program is part of and supplemental to Article 42 of Chapter 75 of the *Kansas Statutes Annotated* (Article 42 pertains to state moneys, including the investment of state moneys, activities of the Pooled Money Investment Board, and the administration of certain loan deposit programs).

Program Definitions (New Section 2)

The bill establishes definitions for terms including:

- “City” to mean a city organized and existing under the laws of Kansas; and
- “Loan” to mean a deposit of unencumbered state funds to a city pursuant to the Program.

The bill also defines the terms “director of investments” and “program.”

Program Administration; Report and Legislative Review (New Section 3)

The bill authorizes the State Treasurer to administer the Program. The bill states the Program’s purpose is to provide loans to cities for extraordinary electric or natural gas costs incurred during the extreme winter weather event of February 2021. The bill restricts the total amount of loans under the Program to an amount not to exceed \$100.0 million of unencumbered funds pursuant to statutes pertaining to investment of state moneys.

The State Treasurer is required to adopt all rules and regulations necessary to administer the Program, including the development of a streamlined application process, no later than January 1, 2022, except the streamlined application process must be established within 14 days from the effective date of the act (*Kansas Register* publication). The bill further specifies the adoption of such rules and regulations is not be a prerequisite for the approval of Program loans by the State Treasurer. The bill states the State Treasurer shall approve loans

under the Program in the most expeditious manner possible on or after the effective date of this act.

The State Treasurer is required to submit an annual report to the Governor and Legislature identifying the cities participating in the Program. The report must provide the aggregate amount of moneys loaned and the amount of moneys available for loan. The report is due on or before January 1, 2022, and each January 1 thereafter. The Legislature is required to perform a review of the Program as part of the State Treasurer's annual report on or after January 1, 2024.

Program Loan Applications (New Section 4)

The bill authorizes the State Treasurer to disseminate information and to provide loan applications as soon as practicable on or after the effective date of this act to cities for Program participation.

A city must forward an application to the State Treasurer in a form and manner prescribed by the State Treasurer. The application is required to:

- Include information regarding the amount of the loan requested by the city and such information the State Treasurer may require, including, but not limited to, the specific fund or account of the city in which loan proceeds will be deposited; and
- Contain a certification by the governing body of the city that, if the city receives any federal moneys related to the extreme winter weather event of February 2021, the first priority for expenditure of such moneys is for the payment of any outstanding balance of a loan made to the city under the Program.

The bill further specifies a Program loan can be used only for those extraordinary electric or natural gas costs incurred during the extreme weather event of February 2021, as certified by the city's governing body, and not for any other utility costs previously budgeted for by the city.

The bill also provides that no loan can be amortized for a period of more than ten years. Payments on such loan will not be required to be more frequently than annually but can be made more frequently upon agreement between the city and State Treasurer.

Certification of Program Loans; Interest Rate (New Section 5)

The bill authorizes the State Treasurer to accept or reject an application based on the State Treasurer's evaluation of whether the city meets the Program requirements. If sufficient funds are not available for a Program loan, the applications may be considered in the order received when funds become available.

Upon the acceptance of an application, the bill requires the State Treasurer to certify to the Director of Investments the amount required for the loan, and the Director will place a deposit of this certified amount in the specific fund or account of the city indicated in the loan application and approved by the State Treasurer.

The bill provides the interest rate on a loan must be 2.0 percent below the market rate provided in KSA 75-4237 (a floating rate). The bill requires such rate to be recalculated on the first business day of January each year using the market rate then in effect. The bill further specifies the minimum interest rate (or floor) will be 0.25 percent if the market rate is below 2.25 percent. The bill authorizes the State Treasurer to request the Director of Investments to place such deposit with the city prior to approval of an application when necessary.

The bill requires all moneys received by the State Treasurer from cities for payments of the Program loans to be deposited in the State Treasury to the credit of the Pooled Money Investment Portfolio.

Conflict of Provisions with Other Law Governing State Moneys; Exemption from Bonded Indebtedness (New Section 6)

The bill provides, in the event a conflict arises between provisions of this bill and provisions statutes pertaining to investment of state moneys, or any other provision of law, the provisions of the bill shall control.

The bill also provides that any Program loan made to a city shall not be considered bonded indebtedness for the purposes of KSA 10-308 (pertaining to bonded indebtedness of cities) or any other statute imposing a limitation on indebtedness of a city.

Program Interest Rates, Investment in State Moneys (Section 7)

The bill amends law governing the investment of state moneys to add those loan deposits made under the Program and applicable interest rates established by the bill.