

KANSAS OFFICE of
REVISOR of STATUTES

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MEMORANDUM

To: Chairman Kelly and members of the House Committee on Financial Institutions and Rural Development
From: Office of Revisor of Statutes
Date: February 17, 2021
Subject: **HB 2282 - Allowing the state treasurer to enter into agreements with eligible applicants to guarantee agricultural loans up to 80% and creating a committee to review and approve applications for such guaranteed loans.**

House Bill No. 2282 creates six new sections of law to be known as the Kansas agricultural loan guarantee program. The provisions of the Kansas agricultural loan guarantee program are under the administration of the state treasurer.

Section 1 provides the name and citation of the program.

Section 2 provides definitions for the program, including "farming" to mean the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of livestock. "Farming" does not include the production of timber, forest products, nursery products or sod and does not include a contract to provide spraying, harvesting or other farm services.

Section 3 authorizes the state treasurer, after receiving approval from the agricultural loan guarantee review committee established in section 4, to enter into agreements with financial institutions to provide loan guarantees against default for agricultural loans. Such loans shall be backed by the agricultural loan guarantee fund established in section 5.

The aggregate principal amount for an eligible applicant shall not exceed \$250,000. The aggregate outstanding amount of all loan guarantees for all applicants under the program shall not exceed \$10,000,000. Loans may be guaranteed up to 80% of the value of the loan.

Loan proceeds may be used for working capital for a proposed or current farming operation, including lease of facilities, the purchase of machinery and equipment or purchase of real estate.

Any loan guaranteed under the program shall be voidable by the state treasurer if the recipient used the proceeds for any purposes other than those purposes under the program.

The state treasurer shall administer the provisions of the program and shall adopt rules and regulation for implementation or administration of the program including the development of an application process. The state treasurer may enter into contracts for implementation and administration of the program and may impose fees and charges to recover costs for administration of the program.

Section 4 establishes the agricultural loan guarantee review committee within the office of the state treasurer. The committee shall consist of five voting members appointed by the state treasurer and the state treasurer or treasurer's designee, who shall serve as a nonvoting chairperson of the committee. The members shall annually elect a vice-chairperson.

The committee shall:

1. Review all applications for agricultural loan guarantees submitted in accordance with the program;
2. approve applications deemed to represent reasonable risk and have a sufficient likelihood of repayment; and
3. advise the state treasurer on matters regarding the administration of the program.

Members of the committee, attending meetings of the committee or a subcommittee shall be paid subsistence allowances, mileage and expenses as provided in K.S.A. 75-3223.

Section 5 establishes the agricultural loan guarantee fund in the state treasury to be administered by the state treasurer. All moneys in the fund shall be used to provide guarantees against loan risks and to pay administrative costs associated with the program. All fees and charges imposed by the state treasurer and other moneys received by the state treasurer under this program shall be deposited in the fund.

If the state treasurer certifies to the director of accounts and reports that the balance of the fund is insufficient to pay a loan guarantee, the director shall transfer an amount from the state general fund to the agricultural loan guarantee fund in the amount of such insufficiency.

Section 6 requires the state treasurer to prepare and submit, on or before February 1, an annual report on program activity to the house committee on appropriations or appropriate budget committee and the senate committee on ways and means or the appropriate subcommittee.

The bill becomes effective upon publication in the Kansas register.