

SESSION OF 2007

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2547

As Amended by House Committee on
Appropriations

Brief*

HB 2547 would enact the Primary Care Safety Net Clinic Capital Loan Guarantee Act. The bill would authorize the Secretary of Health and Environment to provide capital loan guarantees against risk of default for eligible primary care safety net clinics in Kansas. Agreements may be entered into between the Secretary and primary care safety net clinics, financial institutions, the Kansas Development Finance Authority, and other public or private entities. The aggregate outstanding principal amount for any single borrowing organization cannot exceed \$3,000,000, with the total aggregate outstanding amount for all loan guarantees not exceeding \$15,000,000.

The bill would create a five-member Primary Care Safety Net Clinic Loan Guarantee Review Committee to review all proposals for loan financing guarantees. The members would be appointed by the Secretary of Health and Environment as follows: two members representing the Department of Health and Environment, one member nominated by the Kansas Development Finance Authority, one member nominated by the Kansas Health Policy Authority, and one member nominated by the Kansas Association for the Medically Underserved. Nominees may be officers or employees of the nominating agency or organization, and no more than three members may be affiliated with the same political party. The Secretary of Health and Environment or his designee would serve as the non-voting chairperson of the Review Committee.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill would create the Primary Care Safety Net Clinic Loan Guarantee Fund. Payment for claims against the state for other than default of a capital loan guarantee, which is paid from the guarantee fund established by the bill, would be subject to appropriations by the Legislature after a claim has been filed with the Joint Committee on Special Claims Against the State.

The bill would allow the Secretary of Health and Environment to charge fees to recover part or all of the costs associated with the bill.

The Secretary of Health and Environment would be directed to prepare an annual report of the loan guarantee activity and submit the report to the Senate Ways and Means Committee or its appropriate subcommittee and to the House Appropriations Committee or the appropriate Budget Committee.

Background

Proponents presenting testimony to the Committee included the Executive Director of the Kansas Association for the Medically Underserved, the Director of the Office of Local and Rural Health of the Kansas Department of Health and Environment, the Grants and Project Officer of the Shawnee County Health Agency, Wichita Public Schools, and two primary care safety net clinics. Conferees indicated that the bill would create the capacity for the clinics to obtain higher loan amounts, strengthen loan applications, lower interest rates, and lengthen repayment terms. Overall, it was reported that the bill would reduce concerns surrounding lending funds to non-profit services organizations such as the clinics.

There were no opponents to the bill.

The House Appropriations Committee recommended amendments to allow the Kansas Development Finance Authority to provide capital financing for primary care safety net

clinic capital projects. Amendments also include limiting payment for claims against the state for other than default of a capital loan guarantee, which is paid from the guarantee fund established by the bill, to appropriations by the Legislature after a claim has been filed with the Joint Committee on Special Claims Against the State. The Committee recommends decreasing the aggregate loan amount, not including accrued interest, to \$15,000,000. Amendments also include striking language requiring the Kansas Development Finance Authority, the Kansas Health Policy Authority, and the Kansas Association for the Medially Underserved to submit a list of names for nomination to the Review Committee. The Committee also recommends amending the bill to allow the Secretary of Health and Environment to charge fees to recover part or all of the costs associated with the bill.

The fiscal note on the original bill indicates that the bill would result in increased expenditures of \$160,000 from the State General Fund and 1.0 FTE position for the Kansas Department of Health and Environment. Funding would include salaries and wages for the new position and associated costs, meeting and training costs, and professional legal and financial service fees.

The Kansas Department of Health and Environment reports that amendments to the bill would adjust the fiscal note, increasing expenditures by \$108,289 from the State General Fund and 1.0 FTE position for the agency. Amendments would eliminate the costs associated with professional legal and financial service fees.