

SESSION OF 2008

**SUPPLEMENTAL NOTE ON
HOUSE SUBSTITUTE FOR SENATE BILL NO. 387**

As Amended by House Committee of the Whole

Brief*

House Sub. for SB 387, as amended, would authorize a pilot investment program for idle funds at the state universities and a State Housing Loan Deposit Program.

The bill would authorize the Board of Regents to designate one university to invest the core balance of that state educational institution's idle funds. This core balance is defined as non-State General Fund dollars legally available for investment for a period of not less than twelve months.

Further, the bill would authorize the Board of Regents to establish and adopt procedures, standards, and criteria for the program. The amount invested under the pilot program would be limited to \$40.0 million at any one time and the core balance invested would be approved by the Board of Regents. The investment funds under the pilot program would be managed by an independent investment entity, designated by the university. The independent investment entity and the university would make quarterly reports to the Board of Regents, or report on the request of the Board of Regents.

The pilot program would last no longer than five years, and could be terminated at any time for any reason by the Board of Regents.

The net interest earnings on the investments would go to the state treasury and would be credited to the deferred maintenance support fund of the institution. If, for any reason, the pilot investment program would end, the total amount of

*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>

funds invested under the pilot investment program at that time, as well as any net earnings, would be returned to the university and deposited and accounted for as required by law.

The Board of Regents would report each January to the Legislature on the details and results of the pilot investment program until the program ends.

The bill would establish the Kansas Housing Loan Deposit Program (HLDP), which would provide incentives for housing construction development loans. The program would:

- Be effective until July 1, 2011;
- Provide \$60.0 million in allowable loans;
- Authorize the Pooled Money Investment Board (PMIB) to make loans to eligible lending institutions at a rate 2.0 percent below the market rate, and then be provided to borrowers at a rate no greater than 4.0 percent above that of the housing loan deposits rate; and
- Require that 50.0 percent of the allowable loans be made available to developer borrowers building houses in Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie, Kansas.

Background

Representative Wilk, and a representative of the Board of Regents spoke in support of the bill. There were no opponents.

There was no fiscal note available at the time of the hearing for the Regents' sections.

The fiscal note estimates a loss of \$1.8 million in State General Fund interest revenue. The State Treasurer estimates that the administration of the program would require \$68,292 in special revenue funds to hire 1.0 FTE and necessary supplies. The PMIB indicated that it would require \$13,000 in special revenue funds for staff oversight and supplies.