

SESSION OF 2009

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2331

As Amended by House Committee on
General Government Budget

Brief*

HB 2331 would amend current law to establish a minimum interest rate of 0.50 percent for remediation loan linked deposits, agricultural loan linked deposits, and housing loan linked deposits, if the market rate is below 2.0 percent. The bill would set the dates the minimum interest rate is calculated, on the first business day of January and July of each year, for the remediation loan linked deposit.

Under the current law, deposits are placed with lending institutions at a rate of 2.0 percent below market rate. Because the current market rate is below 2.0 percent, the minimum interest rate is 0.0 percent and no interest is earned on these deposits. HB 2331 would set a minimum interest rate of 0.50 percent whenever the market rate is below 2.5 percent.

Under the current law, the State Treasurer recalculates the minimum interest rate on the first business day of each calendar year for the remediation loan linked deposits. HB 2331 would amend current law so that the minimum interest rate is recalculated at the same time for all three loans, on the first business day of January and July of each year.

Background

HB 2331 was introduced in the House Committee on Appropriations. The State Treasurer testified as a proponent. There were no opponents to the bill at a General Government Budget Committee hearing.

*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 General Government Budget Committee made amendments to the bill to incorporate technical corrections suggested by the State Treasurer and staff.

A fiscal note was provided by the Division of the Budget on the introduced version of the bill. The Pooled Money Investment Board (PMIB) states that as of January 31, 2009, the current deposit amount in two linked deposit programs totals \$49,672,586, and earnings on these linked deposit programs would total \$248,363 at a 0.50 percent interest rate. If the linked deposit programs were fully funded and the PMIB had \$120.0 million in linked deposits, then earnings could total \$600,000. The State Treasurer's Office administers the loan linked deposit programs, while the PMIB invests the loan amounts in certificates of deposit (CD) with Kansas banks, who then loan the money to the targeted borrower. The fiscal note states that any additional earnings from the passage of HB 2331 would benefit the Pooled Money Investment Portfolio, and have no fiscal effect on the budgets of the PMIB and the State Treasurer's Office. Any fiscal effect that would result from the enactment of HB 2331 is not accounted for in *The FY 2010 Governor's Budget Report*.