

SESSION OF 2015

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR
SENATE BILL NO. 36**

As Recommended by House Committee on
Agriculture and Natural Resources

Brief*

House Sub. for SB 36 would create the Local Conservation Linked Deposit Lending Program. The purpose of the program is to facilitate loans by eligible financial institutions for the construction, design, rehabilitation, and enhancement of nonpoint source water pollutions control systems for public or private owners. The bill would give authority to the Secretary of Health and Environment (Secretary) to prepare a nonpoint source management plan identifying eligibility criteria, practices eligible for funding, eligibility criteria for borrowers, eligibility criteria for costs, project completion and certification requirements, and process. Under the bill, eligible borrowers would include individuals, limited liability agricultural companies, limited agricultural partnerships, family farm corporations, responsible parties, or owners of real property not including the State, state agencies, the federal government, or any agency of the federal government.

The Secretary would authorize a linked deposit in the amount certified using long-term investment funds available from the Kansas Water Pollution Control Revolving Fund or from other sources available to the Secretary into eligible financial institutions in the form of low-yielding certificates of deposit or time or demand deposits or other authorized deposits of investments.

*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>

An eligible financial institution would be required to enter into an agreement with the Secretary which would include the requirements necessary to implement the program. In addition, the bill would permit eligible financial institutions that agree to receive local conservation loan deposits to accept and review applications for loans from eligible borrowers. The financial institutions could then approve or reject a loan application based on the evaluation of the borrower, the amount of the loan, and other appropriate considerations in the application and using all usual lending standards.

The Secretary would be authorized to disseminate information regarding eligibility for potential participants in the program and may accept or reject a project application based on the determination of the project being consistent with the criteria in the nonpoint source management plan. In addition, the Secretary would be authorized to adopt rules and regulations.

The bill also would stipulate the loans authorized by the program would not be deemed to be a debt or liability of the State or the Secretary, and would not constitute a pledge of the state, any political subdivision, or the Secretary.

Background

The House Committee on Agriculture and Natural Resources removed the contents of the original SB 36, which dealt with multi-year flex accounts for water. The House Committee then added the contents of HB 2304, which would create the Local Conservation Linked Deposit Lending Program.

At the hearing on HB 2304, the House Committee on Agriculture and Natural Resources heard from a spokesperson from the Kansas Department of Health and Environment (KDHE). This conferee indicated the proposed program was mirrored on the linked deposit program in Iowa and would provide low-interest loans to eligible borrowers for

the implementation of certain conservation practices. The conferee indicated some of those practices would include streambank stabilization, livestock waste management, alternative watering sources for livestock, onsite wastewater treatment, replacement or repairs, terraces, grassed waterways, riparian buffers, and filter strips. The Kansas Farm Bureau and the Kansas Water Office submitted written testimony in support of the bill.

There was no neutral or opponent testimony on the bill.

The fiscal note on the original HB 2304 indicates passage of the bill would increase federal fund expenditures by \$10,000 and revenue by \$1,000 in FY 2016 for KDHE. The revenue increase is based on an annual interest rate of 0.1 percent applied to the \$1.0 million annual investment of federal funds. Expenditures would include printing, travel, and administrative costs associated with the promotion of the program. Any fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.