

The logo for the Community Bankers Association of Kansas (CBA) features the letters "CBA" in a blue serif font, with a stylized yellow and blue wave graphic below it.

Community Bankers  
Association of Kansas

*One Mission. Community Banks.®*

November 18<sup>th</sup>, 2024

## Written Testimony Regarding Public Funds Investments

Chairman Longbine & Members of the Special Committee:

My name is Shawn Mitchell, and I currently hold the position of President and Chief Executive Officer at Community Bankers Association (CBA). Established in 1978, our association is united by the common belief that locally owned community banks are best positioned to serve their unique communities. Notably, CBA's membership exclusively includes community banks, deliberately excluding large regional and nationally-based banks.

The report titled "Economic Impacts of Public Funds Investments" was prepared for the Kansas Bankers Association and the Community Bankers Association of Kansas by the Docking Institute of Public Affairs. It analyzes the economic impact of local government investment policies on Kansas, focusing on how local funds deposited in or moved out of state financial institutions affect the state's economy, income, and tax revenues.

### Key points:

- Local Investments and Economic Impact**: The report emphasizes that when local governments invest idle funds outside Kansas, fewer funds remain for local loans, reducing economic activity and tax revenues. This has a multiplier effect on the Kansas economy, as local investments stimulate income and growth through loans and local spending.
- Investment Trends**: Historically, Kansas local governments have increasingly moved funds to out-of-state investments, citing higher returns and liquidity. While these may offer short-term financial benefits, they also limit local lending opportunities, reducing the overall capital available for economic development in Kansas.
- Multiplier Effect**: The report explains the deposit multiplier, which shows how an initial deposit can significantly impact the money supply through loans. For example, a \$10 million deposit could increase local income by \$12.8 million due to the expansion of available loans. This multiplier effect demonstrates that local investments could boost state income, personal earnings, and tax revenues.
- Pooled Money Investment Portfolio**: The state's Pooled Money Investment Board manages Kansas's general fund, but currently, less than 1% of these funds are held in Kansas banks. Most are invested in U.S. Treasury bills and other financial products, leading to less

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capital available for in-state loans and investment opportunities.

5. **\*\*Impact on Small Banks\*\***: Community banks, vital to rural Kansas, have faced challenges due to industry consolidation, tighter regulations, and competition with larger financial institutions. Deposits from local governments in these banks could help sustain their operations and contribute to local economic stability.

6. **\*\*Economic Analysis\*\***: The study includes models to show how keeping idle funds in Kansas could result in significant increases in the state's economic activity and tax revenue. By reinvesting idle funds locally, the state could benefit from increased loans, income generation, and tax revenue.

7. **\*\*Policy Implications\*\***: Although the report does not prescribe specific policies, it provides data and analysis to support discussions on keeping local government investments within the state. It suggests that prioritizing local investments, even with slightly lower yields, could result in broader long-term economic gains for Kansas.

The report highlights the trade-off between the short-term financial benefits of out-of-state investments and the long-term economic growth potential of reinvesting local funds in Kansas institutions.

CBA appreciates the collaboration and cooperation between all interested parties and we look forward to further discussion with the Legislature on these efforts to strengthen our investment in the State of Kansas.

**Shawn P. Mitchell**, *President & CEO*  
*Community Bankers Association of Kansas*