



**Date:** November 18, 2024

**To:** Special Committee on Centralized Pooled Collateral and Pooled Money  
Investment Board (PMIB) Modernization  
Senator Jeff Longbine, Chair  
Representative Nick Hoheisel, Vice Chair

**From:** Doug Wareham, President & CEO, KBA  
Alex Orel, Senior Vice President, Government Relations, KBA

**Re:** Strengthening and Modernizing Kansas Public Funds Investment Policies

Mr. Chairman and committee members, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). It is also my pleasure to introduce Mark Schifferdecker, KBA Past Chairman and Chairman, President & CEO of GNBANK in Girard and Alex Orel, SVP – Government Relations who will also be providing testimony today.

On behalf of our team and industry, we want to extend our appreciation for your dedication and service to our state. It is an honor collaborating with each of you on matters concerning the financial industry and the Kansas economy. We look forward to continuing to support you through this interim process and in the upcoming legislative session.

Thank you for the opportunity to testify today in support of policy changes that would benefit Kansas banks and the state's economy. Our organization represents Kansas banks and advocates for policies that strengthen the banking industry and promote economic growth across the state. I am here today to discuss several key policy changes that would help keep more public funds invested locally in Kansas banks, supporting our communities and driving economic development. These recommendations are based on extensive research and analysis, including a recent study by Fort Hays State University's Docking Institute of Public Affairs.

**Kansas Bankers Association Background Information:**

The KBA was founded in 1887, and is a voluntary, non-profit trade association governed by its membership. The KBA is headquartered in Topeka, Kansas, and is led by our 24-member board of directors. The KBA staff includes 41 professionals, including 12 attorneys, that provide services to Kansas bankers ranging from legislative advocacy to educational training to insurance services to legal and regulatory compliance support. Our mission statement is below.

“The Kansas Bankers Association strengthens and supports the Kansas banking industry by advocating for sound financial policies, promoting innovation, and fostering economic growth across the state to ensure a vibrant financial future for all Kansans.”

KBA's membership includes 98% of the headquartered banks in Kansas. Our membership also includes 20 out-of-state commercial banks operating in Kansas. Our member banks employ more than 21,000 Kansans that provide financial services in every county across the state. While our member banks range in assets from the smallest in our state to the largest in our state, each member bank that belongs to the KBA has one vote on policy positions adopted by either our general membership or our Board of Directors. One member, one vote.

### **The Importance of Local Bank Deposits**

Before diving into specific policy recommendations, we want to emphasize why it's so critical to keep more public funds deposited in Kansas banks. When local government funds are invested out-of-state, it reduces the capital available for loans and investments within Kansas communities. This has a ripple effect throughout our local economies. The Docking Institute study found that state and local government revenues increase when deposits are kept in Kansas financial institutions, if the interest rate differential is less than 3.15%

In other words, out-of-state investments would need to offer rates exceeding 3.15% above those of Kansas banks to match the economic benefits of keeping that money local. As Dr. Emily Breit stated in the study: "The primary advantage of placing deposits in Kansas financial institutions is that these funds are more likely to be loaned to Kansas borrowers, supporting investment projects. This, in turn, boosts the state's capital stock, economic activity, and income."

When public funds leave Kansas, there are fewer resources available for local lending and investment. This can lead to:

- Reduced capital for Kansas businesses looking to expand
- Fewer loans for Kansans to purchase homes or vehicles
- Less funding for local infrastructure and development projects
- Diminished economic activity and job creation

By keeping more public dollars invested locally, we can create a robust cycle that strengthens Kansas banks, supports Kansas borrowers and businesses, and ultimately grows our state's economy.

### **Current Public Funds Investment Landscape**

To understand the need for policy changes, it's important to look at how public funds are currently being invested in Kansas. The Pooled Money Investment Board (PMIB) manages nearly \$10 billion in state idle funds and local public funds held within a state-managed municipal investment pool.

However, only about 0.52% of these funds - approximately \$49 million - are currently invested in Kansas bank CDs. The vast majority is allocated to out-of-state investments such as agency discount notes, US Treasury bills, overnight repos, and commercial paper. Over 12% is invested in U.S. domiciled Canadian banks alone.

This represents a significant outflow of capital from our state, and in our opinion warrants policy changes. We have an opportunity to keep billions more dollars invested locally, where those dollars can have a much greater positive impact on Kansas communities and our state's economy.

### **Policy Recommendations**

Based on the research and analysis conducted, we would like to propose several policy changes for the committee's consideration:

#### **1. Create a Centralized Collateral Pool Program**

We recommend the legislature create a centralized collateral pool program as called for in HB 2840 from the previous session. This would streamline the process for banks to pledge collateral for public deposits, making it easier and more efficient to accept public funds. A centralized pool would reduce administrative burdens on both banks and government entities. It would also free up collateral, allowing banks to put more capital to work in their communities through increased lending and investment.

#### **2. Lower the Statutory PMIB Bank CD Program Rate**

Currently, the rate for the PMIB bank CD program mirrors commercial paper rates. We recommend lowering this to commercial paper minus 2%, with a floor of 0.5%. This would be similar to the structure used for linked deposit loans. Lowering this rate would make it more viable for Kansas banks to accept these deposits, potentially increasing the percentage of PMIB funds invested in Kansas banks well above the current 0.52%

#### **3. Adjust the Statutory Bank Investment Rate**

We recommend eliminating or lowering the statutory rate that banks must offer to guarantee receiving public funds from public entities. This rate currently mirrors the federal funds rates and is .5% higher than the internally set Municipal Investment Pool (MIP) rate offered to public entities by the PMIB.

Options to consider include:

- Eliminating the rate entirely and letting the market dictate
- Setting it at 2% below the MIP rate with a 0.5% floor
- Using the internally set MIP rate as the bank rate required to guarantee placement.

This change would provide more flexibility for banks and public entities to negotiate mutually beneficial rates.

#### **4. Clarify Legislative Intent on Rate Negotiations**

Current law allows public entities to negotiate their own terms and rates when negotiating with local banks, which allows them the flexibility to work with local banks to keep their dollars local. To address the potential for misinterpretation or confusion, we recommend adding language to clarify that the statutory investment rate is only needed to guarantee receiving funds, not mandated.

#### **5. Create Oversight Process for Public Fund Investments**

We support creating a process to ensure public entities are following the intent of public funds laws. This could involve establishing a hotline within the Treasurer's office or PMIB where complaints could be filed if institutions aren't allowed to bid on funds or if entities are bypassing the law. The process could initiate a temporary freeze on an entity's ability to access the Municipal Investment Pool until they have proven compliance through recent RFPs, bid sheets, etc.

#### **6. Treat Bond Proceeds as Public Funds**

We recommend clarifying that bond proceeds should be treated as public funds, subject to the same standards and requirements as other public funds. This would also bring clarity that these funds must be offered at the local level first, instead of the potential to bypass public fund statutes entirely, which is certainly not legislative intent.

#### **7. Limit Third-Party Investment Advisors**

To reduce conflicts of interest, we suggest prohibiting or limiting the ability of third-party investment advisors to actively invest public entities funds they are advising. This would alleviate potential conflicts of interest amongst these advisors that could push against mutually beneficial terms from local institutions with the goal of investing the funds themselves for the entities.

#### **8. Complete Overhaul of Current Linked Deposit Loan Programs**

Currently the state has nearly \$200 million authorized for linked deposit loans to help with low-cost loans for agriculture production, housing, economic recovery that are barely being utilized. This is due to the outdated restrictions placed on each of the programs that do not make the programs attractive to Kansans or financial institutions. In Missouri, they recently approved increasing the amount of public funds available for their linked deposit loan programs from \$800 million to \$1.2 billion and are being heavily utilized. We recommend the legislature look at retooling all of our linked deposit loan programs to be more flexible like Missouri's MOBUCK\$ program, allowing for additional tools and resources the state can use to reinvest public funds back into Kansas.

### **Economic Impact of Proposed Changes**

Implementing these policy changes will have a significant positive impact on Kansas banks and the broader state economy. The Docking Institute study modeled potential effects:

- If \$10 million in public funds were deposited in Kansas banks (assuming 20% held in reserves), it would result in \$12.8 million in new loans made in Kansas
- This would generate a \$12.8 million increase in total personal income in the state, based on an income multiplier of 2
- Using the current state and local tax rate of 10.10%, this would create approximately \$1.3 million in new tax revenue

Extrapolating these figures, if we were able to shift even \$1 billion of the nearly \$10 billion in PMIB-managed funds back to Kansas banks, it could potentially generate:

- \$1.28 billion in new Kansas loans
- \$1.28 billion in increased personal income
- \$130 million in new state and local tax revenue

These are conservative estimates that don't account for the full multiplier effect as that money recirculates through local economies. The actual impact could be even greater.

### **Addressing Potential Concerns**

We want to briefly address a few potential concerns about these proposed changes:

**1. Impact on investment returns:** While out-of-state investments may sometimes offer marginally higher interest rates, the Docking Institute study found that the economic benefits of local investment outweigh small rate differentials. Only when out-of-state rates exceed local rates by more than 3.15% does it become more beneficial to invest elsewhere.

**2. Increased risk:** Kansas banks are heavily regulated and required to meet strict capital and lending standards. A centralized collateral pool would provide additional security. The risk of keeping funds local is minimal compared to the economic benefits.

**3. Administrative burden and additional staff:** While there may be some initial workforce needed to implement these policy changes, they would ultimately reduce administrative burdens in many areas, particularly through the centralized collateral pool. The need for increased FTE's within the Treasurer's Office or the PMIB would be minuscule compared to the return on investment for the state and communities across Kansas.



### **Conclusion**

In conclusion, the policy changes we have outlined today represent a significant opportunity to strengthen Kansas banks, support local communities, and drive economic growth across our state. By keeping more public funds invested locally, we can create a cycle that benefits all Kansans. The research is clear - when public deposits are kept in local financial institutions, they are much more likely to be loaned out to Kansas borrowers and businesses. This increases our state's capital stock, boosts economic activity, and ultimately generates more tax revenue to support vital public services.

We have nearly \$10 billion in public funds currently under management. Shifting even a fraction of that back to Kansas banks could have a transformative impact on our local economies. The multiplier effect means every dollar kept local can generate several more in economic activity. We urge the committee to give serious consideration to these policy recommendations. They represent common-sense changes that align public fund investment practices with the best interests of Kansas communities and taxpayers. Thank you for your time and attention. I would be happy to answer any questions you may have.

**HOUSE BILL No. 2840**

By Committee on Taxation

Requested by Representative Hoheisel

3-13

1 AN ACT concerning public moneys; relating to the deposit and investment  
2 thereof; authorizing governmental units to utilize a public moneys  
3 pooled method of securities to secure the deposit of public moneys in  
4 excess of the amount insured or guaranteed by the federal deposit  
5 insurance corporation; requiring the state treasurer to establish  
6 procedures therefor; banks, savings and loan associations and savings  
7 banks to make certain reports upon the request of a governmental unit;  
8 amending K.S.A. 9-1402 and 12-1675 and repealing the existing  
9 sections.

10  
11 *Be it enacted by the Legislature of the State of Kansas:*

12 New Section 1. (a) For purposes of sections 1 through 3, and  
13 amendments thereto:

14 (1) "Governmental unit" means the state or any county, municipality  
15 or other political subdivision thereof.

16 (2) "Public moneys" means the same as defined in K.S.A. 9-701, and  
17 amendments thereto.

18 (3) "Public moneys pooled method" or "pool of securities" means  
19 shares of investment companies registered under the federal investment  
20 company act of 1940 when the investment companies' assets are limited to  
21 obligations that are eligible for investment by the bank, savings and loan  
22 association or savings bank and limited by their prospectuses to owning  
23 securities enumerated in K.S.A. 9-1402(c), and amendments thereto.

24 (4) "Treasurer" means the state treasurer or the state treasurer's  
25 designee.

26 (b) As an alternative to the requirements to secure the deposit of  
27 public moneys in excess of the amount insured or guaranteed by the  
28 federal deposit insurance corporation pursuant to K.S.A. 9-1402 and 12-  
29 1675, and amendments thereto, a bank, savings and loan association or  
30 savings bank designated as a public depository may secure the deposits of  
31 one or more governmental units by depositing, pledging or granting a  
32 security interest in a pool of securities to secure the repayment of all public  
33 moneys deposited in such bank, savings and loan association or savings  
34 bank by such governmental units and not otherwise secured pursuant to  
35 law, if at all times the aggregate market value on such pool of securities so

1 deposited, pledged or in which a security interest is granted is equal to at  
2 least 102% of the amount on deposit that is in excess of the amount so  
3 insured or guaranteed. Each such bank, savings and loan association or  
4 savings bank shall carry on such bank's or association's accounting records  
5 a general ledger or other appropriate accounting of the total amount of all  
6 public moneys to be secured by the pool of securities as determined at the  
7 opening of each business day and the aggregate market value of the pool  
8 of securities deposited, pledged or in which a security interest is granted to  
9 secure such public moneys.

10 (c) The treasurer shall designate a bank, savings and loan association,  
11 savings bank, trust company or other qualified firm, corporation or  
12 association that is authorized to transact business in this state to serve as  
13 the administrator with respect to a public moneys pooled method. Fees and  
14 expenses of such administrator shall be paid by the banks, savings and  
15 loan association or savings bank utilizing the public moneys pooled  
16 method.

17 (d) If a bank, savings and loan association or savings bank elects to  
18 secure the deposit of public moneys through the use of the public moneys  
19 pooled method, such bank, savings and loan association or savings bank  
20 shall notify the administrator in writing that such bank, savings and loan  
21 association or savings bank has elected to utilize the public funds pooled  
22 method and the proposed effective date thereof.

23 (e) The public moneys pooled method shall not be utilized by any  
24 bank, savings and loan association or savings bank unless the treasurer has  
25 designated an administrator pursuant to subsection (c).

26 New Sec. 2. (a) When the treasurer determines that a bank, savings  
27 and loan association or savings bank has experienced a default, the  
28 treasurer shall:

29 (1) Ascertain the aggregate amounts of public moneys secured  
30 pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto, and  
31 deposited in such bank, savings and loan association or savings bank that  
32 has defaulted, as disclosed by the records of such bank, savings and loan  
33 association or savings bank. The treasurer shall determine for each  
34 governmental unit for which public moneys are deposited in the defaulting  
35 bank, savings and loan association or savings bank the accounts and  
36 amount of federal deposit insurance or guarantee that is available for each  
37 account. The treasurer shall then determine for each such governmental  
38 unit the amount of public moneys not insured or guaranteed by the federal  
39 deposit insurance corporation and the amount of public moneys secured by  
40 a pool of securities pledged, deposited or in which a security interest has  
41 been granted to secure such public moneys. Upon completion of such  
42 determination, the treasurer shall provide each such governmental unit  
43 with a statement that reports the amount of public moneys deposited by

1 such governmental unit in the defaulting bank, savings and loan  
2 association or savings bank, the amount of public moneys that may be  
3 insured or guaranteed by the federal deposit insurance corporation and the  
4 amount of public moneys secured by a pool of securities, or any  
5 combination thereof, pursuant to K.S.A. 9-1402 and 12-1675, and  
6 amendments thereto. Each such governmental unit shall verify the  
7 information in such report with such governmental unit's records within 10  
8 business days after receiving the report and information from the treasurer;  
9 and

10 (2) shall repay each governmental unit for the public moneys not  
11 insured or guaranteed by the federal deposit insurance corporation  
12 deposited in the bank, savings and loan association or savings bank by the  
13 governmental unit upon receipt of a verified report from such  
14 governmental unit and if the defaulting bank, savings and loan association  
15 or savings bank is to be liquidated or if for any other reason the treasurer  
16 determines that public moneys are not likely to be promptly paid upon  
17 demand. In the event that the amount of the deposit guaranty bond or the  
18 proceeds of the securities held by the treasurer after liquidation is  
19 insufficient to cover all public moneys not insured or guaranteed by the  
20 federal deposit insurance corporation for all governmental units served by  
21 the treasurer, the treasurer shall pay out to each governmental unit  
22 available amounts pro rata in accordance with the respective public  
23 moneys not insured or guaranteed by the federal deposit insurance  
24 corporation for each such governmental unit.

25 (b) In the event that a federal deposit insurance agency is appointed  
26 and acts as a liquidator or receiver of any bank, savings and loan  
27 association or savings bank under state or federal law, the duties under this  
28 section that are specified to be performed by the treasurer in the event of  
29 default may be delegated to and performed by such federal deposit  
30 insurance agency.

31 New Sec. 3. (a) A bank, savings and loan association or savings bank  
32 upon the request of a governmental unit, shall report as of the date of such  
33 request the amount of public moneys deposited in such bank, savings and  
34 loan association or savings bank that is not insured or guaranteed by the  
35 federal deposit insurance corporation by:

36 (1) The governmental unit making the request; and

37 (2) all other governmental units and secured pursuant to K.S.A. 9-  
38 1402 and 12-1675, and amendments thereto, and the aggregate market  
39 value of the pool of securities deposited, pledged or in which a security  
40 interest has been granted to secure public moneys held by the bank,  
41 savings and loan association or savings bank, including those deposited by  
42 the governmental unit.

43 (b) A qualified trustee upon the request of a governmental unit, shall

1 report as of the date of such request the aggregate market value of the pool  
2 of securities deposited, pledged or in which a security interest has been  
3 granted by the bank, savings and loan association or savings bank and  
4 provide an itemized list of the securities in such pool. The governmental  
5 unit shall specify the date on which such report shall be made by such  
6 qualified trustee.

7 Sec. 4. K.S.A. 9-1402 is hereby amended to read as follows: 9-1402.

8 (a) Before any deposit of public moneys or funds shall be made by any  
9 ~~municipal corporation or quasi-municipal corporation~~ *governmental unit*  
10 of the state of Kansas with any bank, savings and loan association or  
11 savings bank, such ~~municipal or quasi-municipal corporation~~  
12 *governmental unit* shall obtain security for such deposit in one of the  
13 following manners prescribed by this section.

14 (b) Such bank, savings and loan association or savings bank may give  
15 a corporate surety bond of some surety corporation authorized to do  
16 business in this state, ~~which such~~ bond shall be in an amount equal to the  
17 public moneys or funds on deposit at any given time less the amount of  
18 such public moneys or funds ~~which that~~ is insured by the federal deposit  
19 insurance corporation or its successor and such bond shall be conditioned  
20 that such deposit shall be paid promptly on the order of the ~~municipal~~  
21 ~~corporation or quasi-municipal corporation~~ *governmental unit* making  
22 such deposits.

23 (c) Such bank, savings and loan association or savings bank may  
24 deposit, maintain, pledge, assign and grant a security interest in, or cause  
25 its agent, trustee, wholly owned subsidiary or affiliate having identical  
26 ownership to deposit, maintain, pledge, assign and grant a security interest  
27 in, for the benefit of the governing body of the ~~municipal corporation or~~  
28 ~~quasi-municipal corporation~~ *governmental unit* in the manner provided in  
29 this section, securities, security entitlements, financial assets and securities  
30 accounts owned by the depository institution directly or indirectly through  
31 the institution's agent or trustee holding securities on the institution's  
32 behalf, or owned by the depository institutions wholly owned subsidiary or  
33 by such affiliate, the market value of which is equal to 100% of the total  
34 deposits at any given time, and such securities, security entitlements,  
35 financial assets and securities accounts, may be accepted or rejected by the  
36 governing body of the ~~municipal corporation or quasi-municipal~~  
37 ~~corporation~~ *governmental unit* and shall consist of the following and  
38 security entitlements thereto:

39 (1) Direct obligations of, or obligations that are insured as to principal  
40 and interest by, the United States of America or any agency thereof and  
41 obligations, including, but not limited to, letters of credit and securities of  
42 United States sponsored corporations ~~which that~~ under federal law may be  
43 accepted as security for public funds;

- 1 (2) bonds of any ~~municipal corporation or quasi-municipal~~  
2 ~~corporation~~ *governmental unit* of the state of Kansas ~~which that~~ have been  
3 refunded in advance of the bonds' maturity and are fully secured as to  
4 payment of principal and interest thereon by deposit in trust, under escrow  
5 agreement with a bank, of direct obligations of, or obligations the principal  
6 of and the interest on which are unconditionally guaranteed by, the United  
7 States of America;
- 8 (3) bonds of the state of Kansas;
- 9 (4) general obligation bonds of any ~~municipal corporation or quasi-~~  
10 ~~municipal corporation~~ *governmental unit* of the state of Kansas;
- 11 (5) revenue bonds of any ~~municipal corporation or quasi-municipal~~  
12 ~~corporation~~ *governmental unit* of the state of Kansas if approved by the  
13 commissioner;
- 14 (6) temporary notes of any ~~municipal corporation or quasi-municipal~~  
15 ~~corporation~~ *governmental unit* of the state of Kansas ~~which that~~ are  
16 general obligations of the ~~municipal or quasi-municipal corporation-~~  
17 ~~governmental unit~~ issuing the same;
- 18 (7) warrants of any ~~municipal corporation or quasi-municipal~~  
19 ~~corporation~~ *governmental unit* of the state of Kansas the issuance of which  
20 is authorized by the state board of tax appeals and ~~which that~~ are payable  
21 from the proceeds of a mandatory tax levy;
- 22 (8) bonds of either a Kansas not-for-profit corporation or of a local  
23 housing authority that are rated at least Aa by Moody's investors service or  
24 AA by Standard & Poor's corp.;
- 25 (9) bonds issued pursuant to K.S.A. 12-1740 et seq., and amendments  
26 thereto, that are rated at least MIG-1 or Aa by Moody's investors service or  
27 AA by Standard & Poor's corp.;
- 28 (10) notes of a Kansas not-for-profit corporation that are issued to  
29 provide only the interim funds for a mortgage loan that is insured by the  
30 federal housing administration;
- 31 (11) bonds issued pursuant to K.S.A. 74-8901 through 74-8916, and  
32 amendments thereto;
- 33 (12) bonds issued pursuant to K.S.A. 68-2319 through 68-2330, and  
34 amendments thereto;
- 35 (13) commercial paper that does not exceed 270 days to maturity and  
36 which has received one of the two highest commercial paper credit ratings  
37 by a nationally recognized investment rating firm; or
- 38 (14) (A) negotiable promissory notes together with first lien  
39 mortgages on one to four family residential real estate located in Kansas  
40 securing payment of such notes when such notes or mortgages:
- 41 (i) Are underwritten by the federal national mortgage association, the  
42 federal home loan mortgage corporation, the federal housing  
43 administration or the veterans administration standards;

1 (ii) have been in existence with the same borrower for at least two  
 2 years and with no history of any installment being unpaid for 30 days or  
 3 more; and

4 (iii) are valued at not to exceed 50% of the lesser of the following  
 5 three values: Outstanding mortgage balance, current appraised value of the  
 6 real estate or discounted present value based upon current federal national  
 7 mortgage association or government national mortgage association interest  
 8 rates quoted for conventional, federal housing administration or veterans  
 9 administration mortgage loans.

10 (B) Securities under paragraph (A) shall be taken at their value for  
 11 not more than 50% of the security required under the provisions of this  
 12 section.

13 (C) Securities under paragraph (A) shall be withdrawn immediately  
 14 from the collateral pool if any installment is unpaid for 30 days or more.

15 (D) A status report on all such loans shall be provided to the investing  
 16 governmental entity by the financial institution on a quarterly basis.

17 (d) *Such bank, savings and loan association or savings bank may*  
 18 *secure the deposit of public moneys of one or more governmental units*  
 19 *through a pool of eligible securities established by such bank, savings and*  
 20 *loan association or savings bank with a custodian to be held subject to the*  
 21 *order of the state treasurer or an administrator designated by the state*  
 22 *treasurer pursuant to section 1, and amendments thereto, for the benefit of*  
 23 *the governmental unit having public moneys with such bank, savings and*  
 24 *loan association or savings bank as provided in section 1, and*  
 25 *amendments thereto.*

26 (e) No such bank, savings and loan association or savings bank may  
 27 deposit and maintain for the benefit of the governing body of a ~~municipal~~  
 28 ~~or quasi-municipal corporation~~ governmental unit of the state of Kansas,  
 29 any securities which consist of:

30 (1) Bonds secured by revenues of a utility which has been in  
 31 operation for less than three years; or

32 (2) bonds issued under K.S.A. 12-1740 et seq., and amendments  
 33 thereto, unless such bonds have been refunded in advance of their maturity  
 34 as provided in subsection (d) or such bonds are rated at least Aa by  
 35 Moody's investors service or AA by Standard & Poor's corp.

36 ~~(e)~~(f) Any applicant requesting approval of a revenue bond pursuant  
 37 to subsection (c)(5) shall pay to the commissioner a fee in an amount  
 38 established pursuant to K.S.A. 9-1726, and amendments thereto, to defray  
 39 the expenses of the commissioner in the examination and investigation of  
 40 the application. The commissioner shall remit all amounts received under  
 41 this section to the state treasurer in accordance with the provisions of  
 42 K.S.A. 75-4215, and amendments thereto. Upon receipt of each such  
 43 remittance, the state treasurer shall deposit the entire amount in the state

1 treasury to the credit of the bank investigation fund. The moneys in the  
2 bank investigation fund shall be used to pay the expenses of the  
3 commissioner in the examination and investigation of such applications  
4 and any unused balance shall be transferred to the bank commissioner fee  
5 fund.

6 (g) *For purposes of this section, "governmental unit" means the state*  
7 *or any county, municipality or other political subdivision thereof.*

8 Sec. 5. K.S.A. 12-1675 is hereby amended to read as follows: 12-  
9 1675. (a) The governing body of any county, city, township, school  
10 district, area vocational-technical school, community college, firemen's  
11 relief association, community mental health center, community facility for  
12 people with intellectual disability or any other governmental entity, unit or  
13 subdivision in the state of Kansas having authority to receive, hold and  
14 expend public moneys or funds may invest any moneys ~~which~~ *that* are not  
15 immediately required for the purposes for which the moneys were  
16 collected or received, and the investment of which is not subject to or  
17 regulated by any other statute.

18 (b) Such moneys shall be invested only:

19 (1) In temporary notes or no-fund warrants issued by such investing  
20 governmental unit;

21 (2) in savings deposits, demand deposits, time deposit, open accounts,  
22 certificates of deposit or time certificates of deposit with maturities of not  
23 more than two years:

24 (A) In banks, savings and loan associations and savings banks, ~~which~~  
25 *that* have main or branch offices located in such investing governmental  
26 unit; or

27 (B) if no main or branch office of a bank, savings and loan  
28 association or savings bank is located in such investing governmental unit,  
29 then in banks, savings and loan associations and savings banks, ~~which~~ *that*  
30 have main or branch offices in the county or counties in which all or part  
31 of such investing governmental unit is located;

32 (3) in repurchase agreements with:

33 (A) Banks, savings and loan associations and savings banks, which  
34 have main or branch offices located in such investing governmental unit,  
35 for direct obligations of, or obligations that are insured as to principal and  
36 interest by, the United States government or any agency thereof; or

37 (B) (i) if no main or branch office of a bank, savings and loan  
38 association or savings bank, is located in such investing governmental  
39 unit; or

40 (ii) if no such bank, savings and loan association or savings bank  
41 having a main or branch office located in such investing governmental unit  
42 is willing to enter into such an agreement with the investing governmental  
43 unit at an interest rate equal to or greater than the investment rate, as

1 defined in ~~subsection (g)~~ of K.S.A. 12-1675a(g), and amendments thereto,  
2 then such repurchase agreements may be entered into with banks, savings  
3 and loan associations or savings banks which have main or branch offices  
4 in the county or counties in which all or part of such investing  
5 governmental unit is located; or

6 (C) if no bank, savings and loan association or savings bank, having a  
7 main or branch office in such county or counties is willing to enter into  
8 such an agreement with the investing governmental unit at an interest rate  
9 equal to or greater than the investment rate, as defined in ~~subsection (g)~~ of  
10 K.S.A. 12-1675a(g), and amendments thereto, then such repurchase  
11 agreements may be entered into with banks, savings and loan associations  
12 or savings banks located within this state;

13 (4) in direct obligations of or obligations that are insured as to  
14 principal and interest by the United States or any agency thereof, not  
15 including mortgage-backed securities with maturities as the governing  
16 body shall determine, but not exceeding two years. Such investment  
17 transactions shall only be conducted with:

18 (A) Banks, savings and loan associations and savings banks;

19 (B) the federal reserve bank of Kansas City, Missouri; or ~~with~~

20 (C) primary government securities dealers which report to the market  
21 report division of the federal reserve bank of New York, or any broker-  
22 dealer engaged in the business of selling government securities ~~which that~~  
23 is registered in compliance with the requirements of section 15 or 15C of  
24 the securities exchange act of 1934 and registered pursuant to K.S.A. 17-  
25 12a401, and amendments thereto;

26 (5) in the municipal investment pool fund established in K.S.A. 12-  
27 1677a, and amendments thereto;

28 (6) in the investments authorized and in accordance with the  
29 conditions prescribed in K.S.A. 12-1677b, and amendments thereto;

30 (7) in multiple municipal client investment pools managed by the  
31 trust departments of banks ~~which that~~ have main or branch offices located  
32 in the county or counties where such investing governmental unit is  
33 located or with trust companies incorporated under the laws of this state  
34 ~~which that~~ have contracted to provide trust services under the provisions  
35 of K.S.A. 9-2107, and amendments thereto, with banks ~~which that~~ have  
36 main or branch offices located in the county or counties in which such  
37 investing governmental unit is located. Public moneys invested under this  
38 paragraph shall be secured in the same manner as provided for under  
39 K.S.A. 9-1402, and amendments thereto. Pooled investments of public  
40 moneys made by trust departments under this paragraph shall be subject to  
41 the same terms, conditions and limitations as are applicable to the  
42 municipal investment pool established by K.S.A. 12-1677a, and  
43 amendments thereto; or

1 (8) municipal bonds or other obligations issued by any municipality  
2 of the state of Kansas as defined in K.S.A. 10-1101, and amendments  
3 thereto, ~~which~~ *that* are general obligations of the municipality issuing the  
4 same.

5 (c) The investments authorized in ~~paragraphs (4), (5), (6), (7) or (8)~~  
6 ~~of subsection (b)(4), (5), (6), (7) or (8)~~ shall be utilized only if the banks,  
7 savings and loan associations and savings banks eligible for investments  
8 authorized in ~~paragraph (2) of subsection (b)(2)~~, cannot or will not make  
9 the investments authorized in ~~paragraph (2) of subsection (b)(2)~~ available  
10 to the investing governmental unit at interest rates equal to or greater than  
11 the investment rate, as defined in ~~subsection (g) of K.S.A. 12-1675a(g)~~,  
12 and amendments thereto.

13 (d) In selecting a depository pursuant to ~~paragraph (2) of subsection~~  
14 ~~(b)(2)~~, if a bank, savings and loan association or savings bank eligible for  
15 an investment deposit thereunder has an office located in the investing  
16 governmental unit and such financial institution will make such deposits  
17 available to the investing governmental unit at interest rates equal to or  
18 greater than the investment rate, as defined in ~~subsection (g) of K.S.A. 12-~~  
19 ~~1675a(g)~~, and amendments thereto, and such financial institution  
20 otherwise qualifies for such deposit, the investing governmental unit shall  
21 select one or more of such eligible financial institutions for deposit of  
22 funds pursuant to this section. If no such financial institution qualifies for  
23 such deposits, the investing governmental unit may select for such deposits  
24 one or more eligible banks, savings and loan associations or savings banks  
25 ~~which~~ *that* have offices in the county or counties in which all or a part of  
26 such investing governmental unit is located ~~which~~ *that* will make such  
27 deposits available to the investing governmental unit at interest rates equal  
28 to or greater than the investment rate, as defined in ~~subsection (g) of~~  
29 ~~K.S.A. 12-1675a(g)~~, and amendments thereto, and ~~which~~ otherwise qualify  
30 for such deposits.

31 (e) (1) All security purchases and repurchase agreements shall occur  
32 on a delivery versus payment basis.

33 (2) All securities, including those acquired by repurchase agreements,  
34 shall be perfected in the name of the investing governmental unit and shall  
35 be delivered to the purchaser or a third-party custodian which may be the  
36 state treasurer.

37 (f) Public moneys deposited pursuant to ~~subsection (b)(2) of K.S.A.~~  
38 ~~12-1675, and amendments thereto~~, by the governing body of any  
39 governmental unit listed in ~~subsection (a) of K.S.A. 12-1675, and~~  
40 ~~amendments thereto~~, through a selected bank, savings and loan association  
41 or savings bank ~~which~~ *that* is part of a reciprocal deposit program in which  
42 the bank, savings and loan association or savings bank:

43 (1) Receives reciprocal deposits from other participating institutions

1 located in the United States in an amount equal to the amount of funds  
2 deposited by the ~~municipal corporation or quasi-municipal corporation~~  
3 *investing governmental unit*; and

4 (2) for which the total cumulative amount of each deposit does not  
5 exceed the maximum deposit insurance amount for one depositor at one  
6 financial institution as determined by the federal deposit insurance  
7 corporation.

8 Such deposits shall not be treated as securities and need not be secured  
9 as provided in this or any other ~~act~~ *statute*.

10 (g) *Public moneys deposited pursuant to subsection (b)(2) by the*  
11 *governing body of any investing governmental unit specified in subsection*  
12 *(a) through a selected bank, savings and loan association or savings bank*  
13 *may be invested in a pool of eligible securities established by such bank,*  
14 *savings and loan association or savings bank with a custodian to be held*  
15 *subject to the order of the state treasurer or an administrator designated*  
16 *by the state treasurer pursuant to section 1, and amendments thereto, for*  
17 *the benefit of such investing governmental unit having public moneys with*  
18 *such bank, savings and loan association or savings bank as provided in*  
19 *section 1, and amendments thereto.*

20 Sec. 6. K.S.A. 9-1402 and 12-1675 are hereby repealed.

21 Sec. 7. This act shall take effect and be in force from and after its  
22 publication in the statute book.

March 28, 2024

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Smith:

**SUBJECT:** Fiscal Note for HB 2840 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2840 is respectfully submitted to your committee.

Current law requires governmental units, which include the state, counties, municipalities, or other political subdivisions to obtain security for deposits of public moneys deposited in a bank, savings and loan association, or savings bank. HB 2840 would authorize governmental units to utilize a public moneys pooled method of securities to secure the deposit of public moneys in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC). "Public moneys" include moneys coming into the custody of any municipality, public corporation, the state, or any political subdivision authorized to collect or receive the moneys. The bill would define "public money's pooled method" or "pool of securities" as shares of investment companies registered under the federal Investment Company Act of 1940 when the investment company's assets are limited to obligations that are eligible for investment by the bank, savings and loan association, or savings bank and limited by the prospectuses of owning securities listed in KSA 9-1402(c). As an alternative to the requirements to secure the deposit of public moneys in excess of the amount insured or guaranteed by the FDIC, a bank, savings and loan association, or savings bank designated as a public depository could secure the deposits of one or more governmental units by depositing, pledging, or granting a security interest in a pool of securities to secure the repayment of all public moneys deposited in such bank, savings and loan association, or savings bank and not otherwise secured, if at all times the aggregate market value of such pool of securities deposited, pledged, or in which a security interest is granted is equal to at least 102.0 percent of the amount on deposit that is in excess of the amount so insured or guaranteed. Each bank, savings and loan association, or savings bank would be required to carry on such bank's or association's accounting records an accounting of the total amount of all public moneys to be secured by the pool of securities as determined at the opening of each business day and the aggregate market value of the pool of securities deposited, pledged or in which a security interest is granted to secure such public moneys.

The State Treasurer would establish procedures for using the public money’s pooled method. The Treasurer would designate a bank, savings and loan association, savings bank, trust company, or other qualified firm, corporation, or association to serve as the Administrator of the public money’s pooled method. The Administrator’s fees and expenses would be paid by the bank, savings and loan association, or savings bank utilizing the public moneys pooled method. The public moneys pooled method could not be used unless the Treasurer has designated an Administrator.

If the Treasurer determined a bank, savings and loan association, or savings bank has experienced a default, the Treasurer would ascertain aggregate amounts of public moneys secured and deposited in the defaulted bank, savings and loan association, or savings bank. The Treasurer would determine for each governmental unit that had deposits in the defaulted bank, savings and loan association, or savings bank the accounts and amount of federal deposit insurance or guarantee available for each account. The Treasurer would then determine for each governmental unit the amount of public moneys not insured or guaranteed by the FDIC and the amount of public moneys secured by a pool of securities pledged, deposited, or in which a security interest has been granted to secure such public moneys. After completing such determination, the Treasurer would provide each governmental unit with a statement that reports the amount of public moneys deposited by the governmental unit in the defaulting bank, savings and loan association, or savings bank, the amount of public moneys that could be insured or guaranteed by the FDIC, and amount of public moneys secured by a pool of securities or any combination. The Treasurer would repay each governmental unit for the public moneys not insured or guaranteed by the FDIC deposited in the defaulted bank, savings and loan association, or savings bank. If the amount of the proceeds held by the Treasurer after liquidation is insufficient to cover all public moneys not insured or guaranteed by the FDIC, the Treasurer would pay out amounts pro rata to each governmental unit. If a federal deposit insurance agency is appointed and acts as a liquidator or receiver of any bank, savings and loan association, or savings bank under state or federal law, the duties of the Treasurer in the event of a default could be delegated to the federal deposit insurance agency. The bill also includes technical changes to existing statutes.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
<b>Expenditures</b>			
State General Fund	--	\$124,600	\$120,000
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	\$124,600	\$120,000
<b>Revenues</b>			
State General Fund	--	--	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	--
FTE Positions	--	1.00	1.00

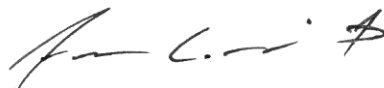
The State Treasurer indicates it would require 1.00 Program Director FTE position at a total cost of \$124,600 in FY 2025 and \$120,000 in FY 2026 from the State General Fund, which would provide salaries and wages and other one-time operating costs. The position would be responsible for designating a qualified entity to serve as administrator of the public moneys pooled method, monitoring financial institutions for defaults, and accounting for deposits and secured amounts following a default and other administrative work.

The Office of the State Bank Commissioner indicates there are many options for state banks to pledge securities for state and local government funds that exceed FDIC insurance coverage. Only one option, pledging revenue bonds requires a \$200 application fee, which is deposited into the Bank Commissioner Fee Fund. The Office has only received one such application in the last three years. If there were a reduction in revenue bond applications, the reduction in fee revenues would be negligible. The agency is allowed to increase bank assessments if the Office decides it is necessary to cancel out any loss in fee revenues because of a reduction in revenue bond applications.

In addition, HB 2840 would not have a fiscal effect on the Department of Credit Unions because credit unions are not authorized to accept public funds. Any fiscal effect associated with HB 2840 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate HB 2840 could have a fiscal effect. However, the Association and the League are unable to estimate the fiscal effect on the counties and cities.

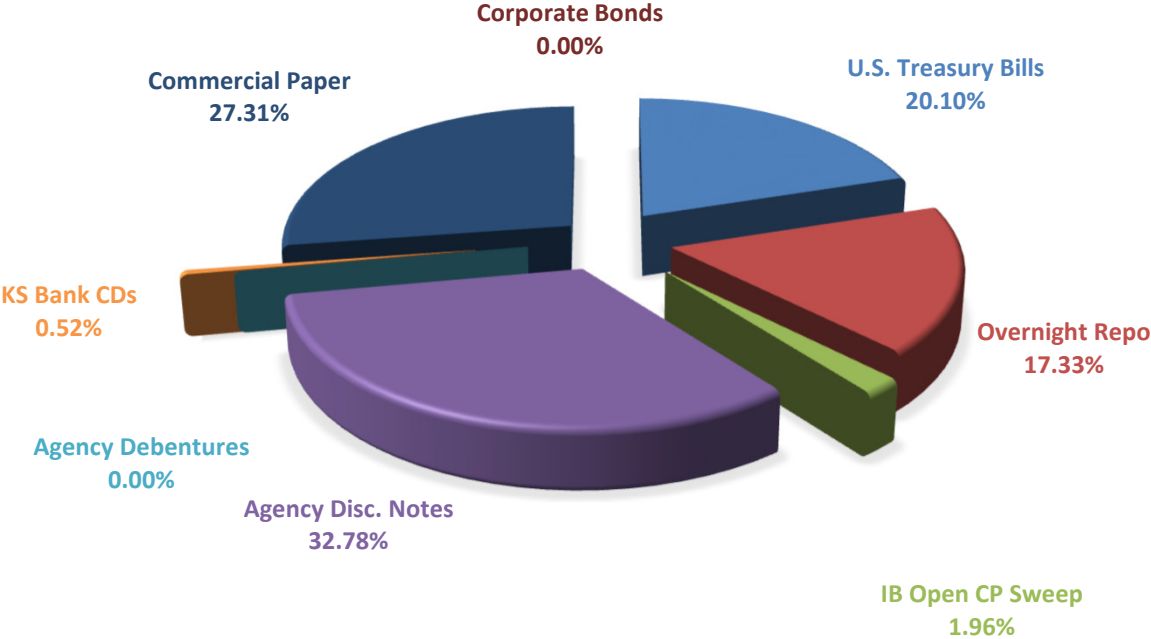
Sincerely,



Adam C. Proffitt  
Director of the Budget

cc: John Hedges, Office of the State Treasurer  
Barbara Albright, Office of the State Bank Commissioner  
Julie Murray, Department of Credit Unions  
Jay Hall, Kansas Association of Counties  
Wendi Stark, League of Kansas Municipalities  
Bobbi Mariani, Insurance Department

# The Pooled Money Investment Portfolio Holdings



## Asset Allocation as of: 9/30/2024

\$9.703 Billion (Par Value)

- Overnight Repo: 17.33%
- U.S. Treasury Bills: 20.10%
- Agency Disc. Notes: 32.78%
- Agency Debentures: 0.00%
- KS Bank CDs: 0.52%
- Commercial Paper: 27.31%
- Corporate Bonds: 0.00%
- IB Open CP Sweep: 1.96%

# The Pooled Money Investment Portfolio Holdings

## Percentage of Portfolio as of: 9/30/2024

<u>Investment Type</u>	<u>% of Portfolio</u>
Overnight Repo	17.33%
IB Open CP Sweep	1.96%
U.S. Treasury Bills	20.10%
FNMA (Fannie Mae)	0.00%
FHLMC (Freddie Mac)	0.00%
FHLB (Home Loan Bank)	32.78%
FFCB (Farm Credit Bank)	0.00%
Kansas Bank CDs	0.52%
Amazon.com, Inc.	0.00%
Apple, Inc.	0.00%
Bank of Montreal	3.61%
Bank of Nova Scotia	2.06%
Exxon Mobil Corp.	0.00%
Honeywell International, Inc.	1.55%
ING (US) Funding LLC	0.00%
Johnson & Johnson	0.52%
JP Morgan Securities LLC	0.00%
Microsoft	0.00%
MetLife Short-term Funding	3.61%
National Bank of Canada	1.55%
National Securities Clearing Corp.	0.00%
Nestle Companies	2.42%
Pepsico	1.70%
Pricoa	2.58%
Prudential Funding LLC	0.00%
Royal Bank of Canada	1.03%
Toronto Dominion Bank	2.06%
Toyota Motor Credit Corp.	4.64%
US Bancorp	0.00%
Wal*Mart, Inc.	0.00%
Total	100.00%

**Pooled Money Investment Board  
Municipal Investment Pool  
October 31, 2024**

**Active Participants**

Cities	50
Counties	22
Schools	38
Other	22
State Agencies	<u>2</u>
Total	<u>134</u>

**Month End Balances**

OMIP	755,897,812
FX-30	177,919,560
FX-90	55,861,598
FX-180	46,736,223
FX-365	10,907,221
FX-550	700,115
FX-730	<u>0</u>
Total	<u>1,048,022,529</u>

**Month End Rate Comparison**

	Current Month	Last Month	Last Year
	<u>Oct-24</u>	<u>Sep-24</u>	<u>Oct-23</u>
OMIP	3.54%	3.54%	4.02%
FX-30	4.33%	4.54%	4.83%
FX-90	4.06%	4.19%	4.94%
FX-180	3.91%	3.89%	5.00%
FX-365	3.75%	3.44%	4.91%
FX-550	3.63%	3.19%	4.73%
FX-730	3.54%	3.05%	4.58%

Pooled Money Investment Board  
Entities with Expanded Investment Authority as of 9/26/24

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Entity
Johnson County
City of Lawrence
City of Lenexa
City of Manhattan
City of Olathe
City of Overland Park
City of Salina
Sedgwick County
City of Wichita
Wyandotte County

Pooled Money Investment Board  
Municipal Investment Pool Depositors as of 9/26/24 \*

DEPOSITOR NAME	CITY
Anderson County	Garnett
Anderson County Hospital Board Of Trustees	Garnett
Andover City Of	Andover
Arkansas City Usd No 470	Arkansas City
Auburn Washburn Usd 437	Topeka
Augusta City Of	Augusta
Augusta Usd 402	Augusta
Basehor City Of	Basehor
Baxter Springs City Of	Baxter Springs
Bel Aire City Of	Bel Aire
Blue Valley Recreation Commission	Overland Park
Blue Valley Usd 229	Overland Park
Burrton Usd No 369	Burrton
Butler Co Community College	El Dorado
Chase County	Cottonwood Falls
Chase County Usd 284	Cottonwood Falls
Circle Usd 375	Towanda
Clearwater U S D 264	Clearwater
Coffeyville City Of	Coffeyville
Columbus City Of	Columbus
Community Hospital District 1	Onaga
De Soto Usd 232	De Soto
Dickinson County	Abilene
Dodge City City Of	Dodge City
Dodge City Community College	Dodge City
Dodge City Usd 443	Dodge City
Douglas County	Lawrence
Easton Usd 449	Easton
Effingham Atchison County Community Schools Usd 377	Effingham
Ellis County Treasurer	Hays
Emporia City Of	Emporia
Emporia Usd 253	Emporia
Erie City Of	Erie
Erie Usd 101	Erie
Eudora U S D 491	Eudora
Eureka City Of	Eureka
Flint Hills Technical College	Emporia
Fort Leavenworth Usd 207	Fort Leavenworth
Fort Scott U S D 234	Fort Scott
Fredonia City Of	Fredonia
Frontenac City Of	Frontenac
Garden City Community College	Garden City

Garden Plain City Of  
Gardner City Of  
Gardner Edgerton Usd 231  
Gas City Of  
Geary County  
Goddard City Of  
Goddard Usd 265  
Goodland Usd No 352  
Greenwood County  
Harper County  
Harvey County  
Hayes Township  
Holton Usd 336  
Humboldt City Of  
Hutchinson City Of  
Hutchinson Recreation Commn  
Janesville Township  
Jayhawk Usd No 346  
Jefferson County  
Johnson Co Community College  
Johnson Co Pk & Recn Dist  
Johnson County Fire District No 2  
Johnson County Treasurer  
Junction City City Of  
Kansas & Missouri Metro Culture Dist  
Kdfa Operations Fund  
Kechi City Of  
Lansing City Of  
Lansing Usd No 469  
Lawrence City Of  
Lawrence Public Library  
Leavenworth City Of  
Leavenworth Co Fire District 1  
Leavenworth County  
Leavenworth Usd 453  
Leavenworth Water Department  
Leawood City Of  
Lenexa City Of  
Liberal City Of  
Linn Valley City Of  
Lyon County  
Manhattan - Ogden Usd 383  
Marion County  
Marysville Usd No 364  
Mcpherson City Of  
Mcpherson County  
Mcpherson Usd 418

Garden Plain  
Gardner  
Gardner  
Gas  
Junction City  
Goddard  
Goddard  
Goodland  
Eureka  
Anthony  
Newton  
Inman  
Holton  
Humboldt  
Hutchinson  
Hutchinson  
Emporia  
Mound City  
Oskaloosa  
Overland Park  
Shawnee Mission  
Stilwell  
Olathe  
Junction City  
Kansas City  
Topeka  
Kechi  
Lansing  
Lansing  
Lawrence  
Lawrence  
Leavenworth  
Lansing  
Leavenworth  
Leavenworth  
Leavenworth  
Leawood  
Lenexa  
Liberal  
Linn Valley  
Emporia  
Manhattan  
Marion  
Marysville  
Mcpherson  
Mcpherson  
Mcpherson

Mission City Of	Mission
Mission Hills City Of	Mission Hills
Morris County Treasurer	Council Grove
Ness City	Ness City
Newton City Of	Newton
Newton Usd 373	Newton
Northwest Consolidated Fire District	De Soto
Olathe City Of	Olathe
Osawatomie City Of	Osawatomie
Oskaloosa City Of	Oskaloosa
Ottawa City Of	Ottawa
Overland Park City Of	Overland Park
Oxford U S D 358	Oxford
Park City City Of	Park City
Parsons City Of	Parsons
Perry City Of	Perry
Pioneer Memorial Library City Of Colby	Colby
Piper Usd No 203	Kansas City
Pottawatomie County	Westmoreland
Prairie Village City Of	Prairie Village
Pratt City Of	Pratt
Reno County	Hutchinson
Rooks County	Stockton
Russell City Of	Russell
S E Ks Educational Service Center	Girard
Salina City Of	Salina
Santa Fe Trail Usd 434	Scranton
Skyline Schools U S D 438	Pratt
Smoky Valley Usd 400	Lindsborg
Sumner County	Wellington
Tonganoxie City Of	Tonganoxie
Topeka City Of	Topeka
Topeka & Shawnee Co Public Library	Topeka
Topeka Metro Transit Authority	Topeka
Topeka Usd 501	Topeka
Udall Usd 463	Udall
Washburn University	Topeka
Washington County	Washington
Wellington City Of	Wellington
Wellsville U S D 289	Wellsville
West Kingman Co U S D 332	Cunningham
Wichita City Of	Wichita
Wichita State University	Wichita
Winchester City Of	Winchester
Wyandotte Co U S D 204	Bonner Springs

\* Active depositors have a balance >= \$5,000.