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Before the Committee on Financial Institutions

**Kansas State Treasurer Testimony on HB 2260
February 12, 2015**

Chairman DeGraaf and members of the Committee, I am Stan Jones, Director of Bond Services for the Office of Kansas State Treasurer Ron Estes. Thank you for the opportunity to testify in support of HB 2260.

The Bond Services Department of the State Treasurer's office has three general functions that it performs; 1) it acts as the central registrar for Kansas municipal bonds; 2) it compiles and produces the Kansas Indebtedness Report; and 3) it acts as paying agent for Kansas municipal bonds and temporary notes. Within our function as paying agent, we are involved in the documentation and closing of temporary notes for financing municipal infrastructure needs. Current statute requires that these temporary notes be confined to one sheet of paper and HB 2260 eliminates this antiquated requirement.

In our function as a paying agent, the Bond Services Department is tasked with the accounting and collection of the debt payments for the life of a temporary note issue. Within that duty our personnel work closely with the bond attorneys facilitating the new issue, and also work closely with the Kansas Attorney General's Office which reviews each issue for statutory compliance before it is approved to be closed and funded. Upon the closing of the issue the bond or temporary note is typically shipped to the Depository Trust Company (DTC), a financial clearing house, to be traded as a book entry debt issue. Once at DTC, the documentation is stored and the issues are traded on an electronic exchange like the vast majority of modern day securities.

The current statutory requirement that a temporary note be restricted to one sheet of paper no longer serves a purpose in the modern financial markets. As described previously, the temporary notes are now held in a clearing house to be traded electronically. The clearing house has no restrictions regarding the number of pages they may be printed upon, and accept bond issues and temporary notes printed on multiple pages of paper. In talking with several bond attorneys whom have practiced in this area for a number of years, they also do not recall the original purpose of having the temporary notes on one piece of paper. Some have speculated that the rule came from a time when temporary notes were traded as paper documents, and having all of the terms included on one sheet would be a convenience. As described previously, that is no longer how these financial instruments are traded.

HB 2260 will strike the restriction that temporary notes be confined to one sheet of paper. This change will allow bond attorneys to print the needed documentation in a readable format, and will have no effect on the validity of the temporary note issue. This revision will eliminate an antiquated and unnecessary requirement in the modern electronic exchange environment.

Thank you for your time and with that I will stand for any questions you may have.