

STATE AFFAIRS COMMITTEE

January 31, 1963

The meeting was called to order by the Chairman who stated that the proponents of H. B. 3 would be heard. Mrs. Heller of the League of Women Voters introduced Mrs. Myers of the Shawnee Mission league who made remarks in favor of the measure. (see attached.)

Mr. Mosher of the Kansas League of Municipalities was then introduced, and explained the impact of the measure upon the cities which the League represents. (see attached)

Mr. David A. Nichols of Kansas City, Kansas, representing the Kansas School Boards (and also assistant Vice-President of the Brotherhood State Bank, with the consent of his bank) stated that the current deposit for his school board is about 200 million dollars; that about 40% of this amount could be invested at all times and that such an investment could be expected to yield about 2½% interest and during a year's time would earn 2½ million dollars; which would pay for about 400 teachers in Kansas, build about 140,000 square feet of classrooms, equaling a 1½% reduction in the ad valorem taxes. He proposed an amendment (see attached) which might make the bill more acceptable to bankers.

Mr. John Oswald of Hutchinson, Chairman of the Reno County Commission, appeared on behalf of the bill, and stated that he is in favor of the bill, and that perhaps something could be worked out in addition, to protect the banks.

Mr. Herman Higgins of Olathe, Chairman of the Board of County Commissioners, Johnson County, stated that he supports the bill wholeheartedly; that with reference to Johnson County it would be especially helpful if inactive funds might be invested which would help greatly in financing construction projects. (Mr. Gardner can supply details on these matters.)

Mr. N. A. Harms of Whichita, County Auditor of Sedgwick County stated that he speaks from the standpoint of experience, and cited the example of their court house building; that it became clear that a levy would take too long to accumulate money enough and bonds were issued in addition to finance the building; however, the money already accumulated, some \$760,000 was laid aside and the \$5 million dollars invested; and in two years time had earned \$355,000. Otherwise money would have had to be borrowed.

He further stated that Sedgwick County has up to \$60 million on deposit in about 24 different accounts throughout the county; that it requires only about 1½ to 2 million per month to operate and that as much as 10 to 15 million could be invested annually on short term basis, earning as much as perhaps \$400,000 or \$500,00 annually.

Mr. John Franz of McPherson, representing the Commissioners of that county, stated that they handle about 4 million per year; that a portion of at least a million could be invested; that it would in fact reduce personal property taxes.

Mr. Elree Welch of Kinsley, Chairman of the County Commission there, stated that his Board had instructed him to state their support of H.B. 3 and read a resolution (see attached).

Richard Hanger, Shawnee County Commissioner, stated that his Commission is in favor of this bill and cited the example of the court house situation as stated in Sedgwick County. He stated that the short term investment on the funds is at the rate of 2.9% and that it derives a sizeable income.

Mr. Carl Ramsey, County Commissioner of Saline County, added his endorsement of the bill and stated that it was his hope that the Committee would move the measure out with a favorable recommendation.

Mr. Skoog, one of the authors of the bill, appeared and stated that Fred Roush of the Board of Education was to have appeared but that he was unable to be on hand. He stated that none of the authors wished to be considered anti-bank; that it isn't proposed to take the money out of the banks, but to invest the money to the benefit of the various groups rather than to the benefit of the individual bank.

Mr. Ford inquired what effect it would have on the banks and Mt. Harms of Sedgwick County stated that it wouldn't take any money (in his case) out of Sedgwick County; that the moneys are already invested in U. S. Government securities; that the proceeds would still be thusly invested but that it would simply mean that the community would benefit to the extent of perhaps \$50,000 which amount now goes into the pocket of the bank, and the taxpayer derives little or no benefit therefrom.

The meeting was adjourned.

Name	Address	Representing
Mrs. F. H. HELLER	LAWRENCE, KANS.	KANSAS LEAGUE OF WOMEN VOTERS
Mrs. Louis Meyers	Overland Park, Kans.	Shawnee Mission League of Women Voters
Mrs. V. B. Ballard	Prairie Village, Ks	" " " "
Mrs. R. H. Estrom	Lawwood, Kansas	" " " "
Mrs. Ray Hildsey	Shawnee Mission	" " " "
Mrs. Max L. Miller	Prairie Village, Ks.	" " " "
Carl Romsey	Salina Kansas	County Commissioner
Karl Hughes	Saline Co.	Co. Commr.
Keith Lilly	Saline Co.	Co Treasurer
Mosher	Saline Co.	League
N. A. Harms	Sedgwick Co.	Sedg. Co. yes
Frank Schuch	Sedgwick Co.	Co. Commr, yes
David A. Nichols	K. C. Ks	Ks Assn of School Bd. Bd
M. A. MCGHEHEY	TOPEKA	"
R. L. STAUBER	Lawrence	U. of Kansas
Herman & the girls	Dothe	Johnson county yes

Name	Address	Representing
Roger D. Kirkwood	Topeka	Kansas Bankers Association
Carl A. Bowman	Neodesha, Ks.	Wilson Co Comm.
Chas R. Head	Topeka	Kansas Bankers Assn
John D. Dean	McPherson	Co Comm. in favor
John P. Fong	McPherson	Co. Comm
Gust. A. Lindholm	Dutton	Co Comm. Yes
John C. Carl	Hutchinson	Co Comm. yes
J. Robinson	Kinsley	
Ella Welsh		

STATEMENT ON INVESTMENT OF INACTIVE FUNDS OF MUNICIPALITIES

PREPARED BY THE LEAGUE OF WOMEN VOTERS OF SHAWNEE MISSION

Hearing before the State Affairs Committee of the Kansas House of Representatives
January 31, 1963

I am Mrs. Louis Meyers, president of the Shawnee Mission League of Women Voters. The League is a non-partisan organization which studies and then acts on certain governmental issues which are suggested and selected by the membership. This activity is maintained on three levels of government -- local, state and national. Today, I speak as a representative of our local Shawnee Mission League of Johnson County, Kansas.

Our League would like to present to the State Affairs Committee of the House the following statement in support of House Bill #3, which would authorize any municipality to invest temporary inactive funds in short term United States government obligations, or in municipal temporary notes; the earnings from such investments to be used to relieve ad valorem taxes.

The members of the Shawnee Mission League have studied some phase of county government for the past ten years. During the past year, our study has been focused on county fiscal matters. As a result of this study, the League of Women Voters of Shawnee Mission adopted an affirmative stand for support of permissive legislation that would authorize a county and other local governmental units to invest funds on deposit which are in excess of immediate needs. The League also stressed that the type of investments should be specified and the investing authority should be defined. These provisions are contained in this bill. The bill also insures the three primary fundamentals for any investment program utilizing public funds:

1. safety of the principal invested,
2. liquidity; so funds are readily available if unanticipated need arises, and
3. yield -- a rate of return that would be profitable to the taxpayers and
could be used to reduce ad valorem taxes.

As members also of the League of Women Voters of Kansas, we supported legislation authorizing interest on inactive state funds prior to the passage of the 1957 law. On many of the same principles, the Shawnee Mission League supports this measure.

-2- Statement on Inactive Funds of Municipalities

A time lag occurs between the receipt of cash in ad valorem taxes in December and June, as well as the periodic receipt of non-ad valorem funds, and their expenditure. Cash balances in excess of immediate operating needs which are drawing no interest is a waste of public funds. Authorization for short term investment of these funds would bring in additional non-advalorem revenue. From figures supplied us by the Board of County Commissioners and the County Treasurer of Johnson County, it is estimated that during the past twelve-months period, there was between \$ 5 million and \$ 7 million in public funds in excess of immediate need, that could have been placed in short term investments, to realize between \$150,000 and \$210,000 for the tax payers of the county. The amount of such idle operating funds in Johnson County that could be so invested would be expected to increase each year, as the assessed valuation continues to increase and the need for budgeted services increases to keep up with the growth in population.

We understand the historical reasons for the change in the law in the depression years depriving the state and its political subdivisions of the authority to draw interest on deposits or to invest public funds. The need which existed during the depression years for the use of state and local public funds to protect the solvency of banking institutions no longer exists. This was recognized by the Legislature with the passage of the law for interest on inactive state funds in 1957. Cities under the Home Rule authority may invest idle operating funds in United States Treasury notes. We believe this authority should also be permissive for all municipalities.

The Advisory Commission on Intergovernmental Relations, established under P.L. 86-380 in 1959, in its January, 1961 Report states: "It is recommended that State Legislatures take action to remove or initiate the removal of existing constitutional and statutory restrictions upon the investment of the States' own funds, and upon the investment by local units of government of funds under their control, at least to the extent of permitting the investment of idle operating funds, as well as balances of other funds not needed for current requirements, in interest bearing deposits with insured institutions and in obligations of the State or of the United States."

The 1963 report is essentially the same.

-3- Statement on Inactive Funds of Municipalities

This Commission found no valid argument against the investment of State or local funds in those arguments advanced by the banking institutions. This Report also charts the total time and demand deposits of state and local governments in insured banks in 1959 for all the 50 states. State and local deposits for the nation as a whole averages about 7% of the total deposits in insured commercial banks. In four states -- Hawaii, Kansas, Mississippi and New Mexico -- state and local funds made up more than 15% of the total deposits. And the highest proportion in 1959 was in Kansas, where of the \$2.3 billion of total deposits in insured commercial banks in Kansas, state and local funds accounted for \$ 425 million or 18.7% of the total deposits in the State of Kansas. Of this \$ 425 million, 86.3% were in demand deposits. It would be hard to estimate what proportion of this amount in demand deposits could have been invested, but it could be assumed that it would have been a sizeable amount of the taxpayers' money, if municipalities had had the authority to invest that portion of idle operating funds that they wished to.

A monetary return is expected by any citizen from the reserves he accumulates and invests as an individual. This is an accepted practice in government as well, in that all but a few states allow for some form of investment for idle operating funds. Why shouldn't this good business practice be extended to the local governmental units in Kansas for the benefit of the taxpayers?

~~Since this legislation is permissive and not mandatory, we cannot see why there would be any objection from other local governmental units. Each municipality would have the authority to decide whether idle funds should be invested or not.~~

We, the League of Women Voters of Shawnee Mission, Kansas, would urge the State Affairs Committee to give favorable consideration to this House Bill #3, and report out of Committee with the recommendation that it be passed.

Mrs. Louis Meyers
President, LWV of Shawnee Mission

Mrs. R. H. Estrin
First Vice Pres., LWV of Shawnee Mission

Mrs. Roy Allender
Chairman of Study on Investment of Inactive
Funds of Municipalities

Information Bulletin

January, 1963

LOCAL GOVERNMENT INVESTMENT AUTHORITY

The following presents statutes expressly authorizing short-term investments of temporarily idle operating funds by local governments in (1) U. S. government obligations or (2) interest-bearing bank time deposits, as of December 31, 1962. (The survey is limited to statutes, and does not include home rule charter powers of cities or counties in other states. The absence of any cited statute (---) indicates that no statute either authorizing or prohibiting investing was found; it does not necessarily mean that funds of the unit may not be invested.)

(1) U. S. GOVERNMENTS

(2) BANK TIME DEPOSITS

Code of Alabama, 1955 Supp.

Cities	37-#273 (1)	37-#448
Counties	37-#273 (1)	12-#44
Schools	---	---

Alaska Compiled Laws (Nothing Found)

Arizona Revised Statutes

Cities, Counties and Schools	35-325.12: Funds in excess of amounts required to be deposited in public depositories.	35-325.18 and 35-325.19 as amended, 1961: Inactive public deposits.
------------------------------	--	---

Arkansas Statutes Annotated

Cities and Counties	13-901	13-802 and 803: Contract for deposits with bank "on best terms available."
Schools	---	---

Deering's California Codes

Cities, Counties and Schools; Government Code	53,601 and 53,602: "Surplus money not required for immediate necessities of the local agency."	53,649: Interest charged on inactive public deposits.
---	--	---

Colorado Revised Statutes

Cities, Counties and Schools	83-1-1	83-1-3
------------------------------	--------	--------

General Statutes of Connecticut

Cities and Schools	7-400	7-401; 7-402
(Counties have been abolished)		

(1) U. S. GOVERNMENTS

(2) BANK TIME DEPOSITS

Delaware Code Annotated

Cities	---	---
Counties	9-6112 applies only to Sussex County	---
Schools	---	---

Florida Statutes Annotated

Cities	167.74 (in Supp.)	---
Counties	125.31 (in Supp.)	136.04 (1961 Supp.)
Schools	---	---

Georgia Code Annotated

Cities, Counties and Schools	89-816.1	89-812
------------------------------	----------	--------

Revised Laws of Hawaii

Cities	---	---
Counties	138-15	138-13; 138-14; Ch. 133
Schools	---	---

Idaho Code

Cities	50-1908; 57-127 as amended 1961	Not authorized--banks prohibited from paying interest on public deposits--57-131; 57-132.
Counties and Schools	57-127 as amended 1961	

Smith-Hard Illinois Statutes Annotated

Cities	146½--3.1 (Supp.)	24-3-10-3; 24-4-5-22
Counties	146½--3.1 (Supp.)	36-29 (Supp.)
Schools	146½--3.1 (Supp.)	---

Burns, Indiana Statutes Annotated

Cities, Counties and Schools	61-677	Not authorized--banks prohibited from paying interest on public deposits--61-637 (c).
------------------------------	--------	---

Iowa Code Annotated

Cities, Counties and Schools	453.10: May invest any portion of any fund created by direct vote of the people.	453.6 and 453.7
------------------------------	--	-----------------

General Statutes of Kansas

Cities	Constitutional Home Rule for Cities. (Attorney General Opinion No. 61-279 (1961))	Not authorized--banks prohibited from paying interest on public deposits by local governments. Supp. 9-1401.
Counties	---	
Schools	---	

(1) U. S. GOVERNMENTS

(2) BANK TIME DEPOSITS

Kentucky Revised Statutes

Cities	386.050 (4)	---
Counties	386.050 (4)	---
Schools	386.050 (4)	160.570

Louisiana Revised Statutes

Cities, Counties and Schools	33:2955	---
------------------------------	---------	-----

Maine Revised Statutes

Cities	Reserve Funds, 90-A, #21	---
Counties	89, #132	---
Schools	---	---

Maryland Annotated Code

Cities, Counties and Schools	95, #22	95, #22
------------------------------	---------	---------

Annotated Laws of Massachusetts

Cities	Revenue Cash--44, #55	Stabilization Fund--40, #5B
	Stabilization Fund--40, #5B	
Counties	35, #22	35, #22
Schools	Revenue Cash--44, #55	

Michigan Statutes Annotated

Cities	3.843 (1)	5.1551
Counties	3.843 (1)	5.532
Schools	15.3568	

Minnesota Statutes Annotated

Cities	471.56; 426.18	427.05
Counties	471.56; 385.07	385.07
Schools	118.12; 124.05	---

Mississippi Code

Cities	3598.14	9174--Permits interest on city deposits.
Counties	---	9144--Prohibits interest on county deposits.
Schools	6532.16	

Missouri Revised Statutes

Cities	---	Cities of first class--95.190.
Counties	---	No bids taken if interest on demand deposits is unlawful--110.030.
Schools	---	No bids taken if interest on demand deposits is unlawful--165.423; 165.610; 165.617; 165.357.

(1) U. S. GOVERNMENTS

(2) BANK TIME DEPOSITS

Montana Revised Code

Cities and Counties	16-2618, as amended Laws 1961, Ch. 66.	16-2618, as amended Laws 1961, Ch. 66.
Schools	---	---

Nebraska Revised Statutes

Cities	77-2341	Cities of metropolitan class take bids for interest on bank deposits, 14-556.
Counties	77-2315; 77-2341	77-2340
Schools	77-2341	---

Nevada Revised Statutes

Cities	355.170	---
Counties	355.170	356.125--County inactive funds
Schools	---	---

New Hampshire Revised Statutes Annotated

Cities	"Capital reserve fund"--35.9 as amended.	"Capital reserve fund"--35.9 as amended.
Counties	29.3 (Supp.) any funds.	"Capital reserve fund"--35.9 as amended.
Schools	"Capital reserve fund"--35.9 as amended.	"Capital reserve fund"--35.9 as amended.

New Jersey (Nothing Found)

New Mexico Statutes Annotated

Cities, Counties and Schools	11-2-7	---
------------------------------	--------	-----

New York, McKinney's Consolidated Laws

Cities	Vol. 23, General Municipal Law, #11, as amended Session Laws of 1962, Ch. 66	Vol. 23, Sec. 11, as amended.
Counties	Vol. 23, General Municipal Law, #11, as amended Session Laws of 1962, Ch. 66.	Vol. 23, Sec. 11, as amended.
Schools	Boards of Education of Union Free School Districts--Vol. 16, Education, #1723a (Supp.)	Boards of Education of Union Free School Districts--Vol. 16, Education, #1723a (Supp.)

North Carolina

Cities	"Capital Reserve Fund"--160-433	160-411.5
Counties	"Capital Reserve Fund"--153-142.9	---
Schools	---	---

(1) U. S. GOVERNMENTS

(2) BANK TIME DEPOSITS

North Dakota Century Code

Cities and Counties	21-06-07	21-04-13
Schools	21-06-07	---

Pages, Ohio Revised, Code Annotated

Cities	731.56 to 731.59, inclusive	---
Counties	321.44	---
Schools	---	---

Oklahoma Statutes Annotated

Cities	---	62-87
Counties	---	62-87
Schools	---	62-87

Oregon Revised Statutes

Cities, Counties and Schools	294.035	295.500
------------------------------	---------	---------

Purdon's Pennsylvania Statutes Annotated

Cities of First Class	53-15702	---
Counties of First Class	53-15702	---
Counties	16-511	---
Schools	Laws of Pennsylvania 1961, Act No. 104	---

Rhode Island (Nothing Found)

Code of Laws of South Carolina

Cities	---	---
Counties (Certain)	65-2014.1 to 65-2014.7	---
Schools	---	---

South Dakota Code

Cities	S. L. 1961, Ch. 258 (Funds not needed during current fiscal year)	---
Counties	S. L. 1961, Ch. 258 (Funds not needed during current fiscal year)	12.0818 (1960 Supp.)
Schools	S. L. 1961, Ch. 258 (Funds not needed during current fiscal year)	---

Tennessee Code Annotated

Cities	6-805	---
Counties	5-819	5-810--(County may contract with bank for interests on deposits.)
Schools	---	---

(1) U. S. GOVERNMENTS

(2) BANK TIME DEPOSITS

Vernon's Texas Statutes

Cities	---	Art. 2560
Counties	---	Art. 2546
Schools	---	

Utah Code Annotated

Cities, Counties and Schools	33-1-4	51-1-7
------------------------------	--------	--------

Vermont Statutes Annotated (Nothing Found)

Code of Virginia, 1962 Supp.

Cities, Counties and Schools	2-298	2-299
------------------------------	-------	-------

Revised Code of Washington

Cities	35.39.030; 36.29.020 (1961)	35.38.020; 35.38.040
Counties	36.33.180; 36.29.020 (1961)	36.48.030 (May contract with bank for interest)
Schools	28.58.440 (1961)	---

West Virginia Code, 1955

Cities	---	---
Counties	---	County may contract with bank with or without interest on deposits
Schools	---	---

West's Wisconsin Statutes Annotated

Cities, Counties and Schools	66.04 (2) (1961)	62.09 (9)(e); 66.04 (2); 62.12 (7) (1961)
------------------------------	------------------	---

Wyoming Statutes, 1957

Cities, Counties and Schools	9-612	9-604 to 9-606, inclusive
------------------------------	-------	---------------------------

Mr Nichols:

You proposed amendment?

2 10 - following word "thereof,"
insert the following.

"(c) time deposits of ^{insured} Commercial
banks & trust companies."

NOTE:

It would be necessary to amend
certain other statutes which
presently prohibit banks from
paying interest on public funds
other than the state enacted
accounts.

The Kansas Assn of School Boards
will be happy to provide these statutory
details. See also Mr. Nichols' letter to Mr. Hobbs.

other statutes presently require
that such time deposits be
secured by the deposit of
govt obligations. This
should remain the same -

KANSAS
ASSOCIATION OF SCHOOL BOARDS
1501 WEST 21ST STREET
TOPEKA, KANSAS

FLANDERS 7-1144

M. A. MCGHEHEY
EXECUTIVE DIRECTOR

DR. 1-4059

DAVID A. NICHOLS

KANSAS CITY

ASSISTANT VICE-PRESIDENT
The Brotherhood State Bank

KANSAS

Higgins

ABSTRACT OF TAXES

1959.....	\$16,033,284.91
1960.....	18,079,941.24
1961.....	20,555,024.91
1962.....	23,173,590.10

BANK BALANCES

12/30/61.....	\$16,166,079.00
1 /13/62.....	18,972,661.00
1 /31/62.....	17,938,565.00
2 /28/62.....	16,169,078.00
3 /31/62.....	15,846,735.00
4 /30/62.....	13,326,348.00
5 /31/62.....	10,960,486.00
6 /25/62.....	13,995,847.00
6 /30/62.....	13,602,489.00
7 /31/62.....	11,965,906.00
8 /31/62.....	10,272,401.00
10/ 1/62.....	8,401,409.00
10/29/62.....	6,629,287.00
10/31/62.....	6,673,260.00
11/30/62.....	8,915,974.00
12/31/62.....	15,333,635.00
1 /22/63.....	20,752,059.00

5

Bliley

Welch

Master

INVESTMENT OF IDLE FUNDS

WHEREAS, the counties of Kansas have long sought authority to invest their temporary idle funds in a businesslike manner to reduce the net cost of government, and

WHEREAS, the U. S. Advisory Commission on Intergovernmental Relations, the 1961 Governor's Conference of the Council of State Governments, the American Municipal Association, the National Association of Counties, the League of Kansas Municipalities and the Kansas Association of School Boards have also acted to recommend the removal of statutory restrictions as to the safe investment of public funds,

NOW, THEREFORE, BE IT RESOLVED, that the Kansas County Commissioners Association, in convention assembled, does hereby reaffirm its standing policy favoring statutory authorization for the sound investment of temporarily idle funds as a source of revenue to permit the relieving of property taxes.