

Approved Feb. 24, 1983
Date

MINUTES OF THE House COMMITTEE ON Pensions, Investments & Benefits

The meeting was called to order by Rep. Bob Ott at
Chairperson

9:10 a.m./~~p.m.~~ on February 22, 1983 in room 527-S of the Capitol.

All members were present except:

Rep. Whitaker
Rep. Meacham
Committee staff present:
Gordon Self, Revisor's Office
Richard Ryan, Legislative Research
Louis Chabira, Legislative Research

Conferees appearing before the committee:

Rep. Art Douville
Jim Maag, Kansas Bankers Association

Chairman Ott called the meeting to order at 9:10 a.m. He then introduced Rep. Art Douville, sponsor of HB 2244, an act concerning the retirement system for judges. Rep. Douville made brief remarks about his bill but said that Marshall Crowther really could better explain the details of the bill. He then asked Mr. Crowther to explain the bill to the Committee; Mr. Crowther did so and then took questions from the Committee members.

Chairman Ott then introduced Jim Maag of the Kansas Bankers Association, who explained HB 2439 and the need for this legislation. There were no questions from the Committee members (See Attachment A).

Before the Committee adjourned, Chairman Ott asked for approval of the minutes. Rep. Schweiker moved the minutes be approved, Rep. Branson seconded the motion, and the minutes were approved.

The Committee will meet on February 24 at 9:00 in Room 527-S.

The Committee was adjourned at 10:00 a.m.



Rep. Bob Ott, Chairman

A

12-1 5. Investment of public moneys by governmental subdivisions, units and entities. (a) The governing body of any county, city, township, school district, area vocational-technical school, community college, firemen's relief association, community mental health center, community facility for the mentally retarded or any other governmental entity, unit or subdivision in the state of Kansas having authority to receive, hold and expend public moneys or funds may invest any moneys which are not immediately required for the purposes for

which the moneys were collected or received, and the investment of which is not subject to or regulated by any other statute.

(b) Such moneys shall be invested only in:

(1) Temporary notes issued by such investing governmental unit;

(2) time deposit, open accounts or certificates of deposit (A) in commercial banks or trust companies which have home offices located in such investing governmental unit, or (B) if the home office of no commercial bank or trust company is located in such investing governmental unit, then in commercial banks or trust companies which have home offices located in the county or counties in which all or part of such investing governmental unit is located, or (C) if such appropriate eligible commercial banks or trust companies cannot or will not make such deposits available to the investing governmental unit at interest rates equal to or greater than (i) the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks, as fiscal agents of the United States, at its most recent public offering of such bills prior to the inception of such deposit contract or (ii) the maximum rates such banks or trust companies may pay on such deposits under applicable law or regulation, whichever is lower, then in commercial banks or trust companies which have home offices located within the county or in the counties of the state of Kansas adjacent to the county or counties in which all or part of such investing governmental unit is located;

(3) in time certificates of deposit with savings and loan associations which have home offices located in such investing governmental unit;

(4) repurchase agreements with (A) commercial banks or trust companies or savings and loan associations which have home offices located in such investing governmental unit, for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof, or (B)(i) if the home office of no commercial bank or trust company or savings and loan association is located in such investing governmental unit, or (ii) if no commercial bank or trust company or savings and loan association has a home office located in such investing government-

tal unit is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or higher than a rate equal to two percentage points below the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks, as fiscal agents of the United States, at its most recent offering of such bills prior to the inception of such contract, then such repurchase agreements may be entered into with commercial banks or trust companies or savings and loan associations which have home offices located in the county or counties in which all or part of such investing governmental unit is located, or (C) if no bank or trust company or savings and loan association which has its home office located in such county or counties is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or higher than a rate equal to two percentage points below the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks, as fiscal agents of the United States, at its most recent offering of such bills prior to the inception of such contract then such repurchase agreements may be entered into with commercial banks or trust companies or savings and loan associations which have home offices located in the state of Kansas; or

(5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding six months.

(c) The investment authorized in clause (5) of subsection (b) shall be utilized only if the appropriate eligible commercial banks or trust companies, which have home offices located in the investing governmental unit or in the county or counties in which all or a part of such investing governmental unit is located if no such bank or trust company has a home office which is located within such governmental unit, or the appropriate eligible savings and loan associations, which have home offices located in the investing governmental unit or in the county or counties in which all or a part of such investing governmental unit is located if no such savings and loan association has a home office which is located within such governmental unit, cannot or will not make the investments authorized in clause (2) or clause (3) of subsection (b) available to the investing

governmental unit at interest rates equal to or greater than (A) the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks as fiscal agents of the United States at its most recent public offering of such bills prior to the inception of such deposit contract or (B) the maximum rates such commercial banks or trust companies or savings and loan associations may pay on the investments authorized in clause (2) or clause (3) of subsection (b) under applicable law or regulation, whichever is lower.

Atch. A

9-1402. Securities for deposits of public funds; expenses; valuation. (a) Before any deposit of public moneys or funds shall be made by any municipal corporation or quasi-municipal corporation of the state of Kansas with any state or national bank or trust company or state or federally chartered savings and loan association, such municipal or quasi-municipal corporation shall obtain security for such deposit in one of the following manners prescribed by this section.

(b) Such bank or trust company or savings and loan association may give to the municipal corporation or quasi-municipal corporation a personal bond in double the amount which may be on deposit at any given time.

(c) Such bank or trust company or savings and loan association may give a corporate surety bond of some surety corporation authorized to do business in this state, which bond shall be in an amount equal to the public moneys or funds on deposit at any given time and such bond shall be conditioned that such deposit shall be paid promptly on the order of the municipal corporation or quasi-municipal corporation making such deposits.

(d) Any state or national bank or trust company or state or federally chartered savings and loan association may deposit, maintain, pledge and assign for the benefit of the governing body of the municipal corporation or quasi-municipal corporation in the manner provided in this act, securities the market value of which is equal to no less than 70% of the total deposits at any given time, and such securities shall consist of:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof;

(2) bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas which have been refunded in ad-

vance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America;

(3) bonds of the state of Kansas;

(4) general obligation bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas;

(5) revenue bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas if approved by the state bank commissioner in the case of banks and by the savings and loan commissioner in the case of savings and loan associations;

(6) negotiable promissory notes which are not in default together with first lien real estate mortgages on real estate located within the state of Kansas securing payment of such notes;

(7) temporary notes of any municipal corporation or quasi-municipal corporation of the state of Kansas which are general obligations of the municipal or quasi-municipal corporation issuing the same;

(8) warrants of any municipal corporation or quasi-municipal corporation of the state of Kansas the issuance of which is authorized by the state board of tax appeals and which are payable from the proceeds of a mandatory tax levy;

(9) bonds of either a Kansas not-for-profit corporation or of a local housing authority that are rated at least Aa by Moody's Investors Service or AA by Standard & Poor's Corp.;

(10) bonds issued pursuant to K.S.A. 12-1740 *et seq.* that are rated at least MIG-1 or Aa by Moody's Investors Service or AA by Standard & Poor's Corp.; or

(11) notes of a Kansas not-for-profit corporation that are issued to provide only the interim funds for a mortgage loan that is insured by the federal housing administration.

(e) No state or national bank or trust company or state or federally chartered savings and loan association may deposit and maintain for the benefit of the governing body of a municipal or quasi-municipal corporation of the state of Kansas, any securities which consist of:

(1) Bonds secured by revenues of a util-

ity which has been in operation for less than three years; or

(2) bonds issued under K.S.A. 12-1740 *et seq.*, unless such bonds have been refunded in advance of their maturity as provided in subsection (d) or such bonds are rated at least Aa by Moody's Investors Service or AA by Standard & Poor's Corp.

(f) Any state or national bank or trust company or state or federally chartered savings and loan association which has agreed to pay a rate of interest upon moneys deposited pursuant to K.S.A. 12-1675, and any amendments thereto, greater than the average yield before taxes received on ninety-one day United States treasury bills as determined by the federal reserve banks as fiscal agents of the United States at its most recent public offering of such bills prior to the inception of such deposit contract, and depositing, pledging and assigning securities to secure payment of such deposit, shall deposit and maintain for the benefit of the governing body of the municipal corporation or quasi-municipal corporation, in the manner as provided in this act, securities of a type described in this section market value of which is equal to no less than 100% of such deposit.

(g) Any expense incurred in connection with granting approval of revenue bonds shall be paid by the applicant for approval.

(h) All negotiable promissory notes secured by first lien mortgages on real estate pledged and assigned as security shall be valued pursuant to rules and regulations which have been adopted by both the state bank commissioner and the savings and loan commissioner after having first being submitted to and approved by both the state banking board under K.S.A. 9-1713 and amendments thereto and the savings and loan board. Such rules and regulations shall be published in only one place in the Kansas administrative regulations as directed by the state rules and regulations board. All such notes shall be approved by the governing body of such municipal corporation or quasi-municipal corporation before the same shall be accepted as security. Negotiable promissory notes secured by first lien mortgages on real estate shall be taken at their value for not more than 75% of the security required under the provisions of this act.

75.4220. Bank liability; sale of security. The bank and securities pledged by it shall be liable for payment in case any bank having a state bank account of any type shall fail (a) to pay any check, draft or warrant drawn by the treasurer and director of accounts and reports, or (b) to account for any check, draft, warrant, order, or certificate of deposit, or any money entrusted to it by the treasurer.

Any loss incurred by the state by reason of failure by any bank to safely keep and account for state or special moneys and interest thereon shall be recovered by the state from the bank and a sale of the securities pledged under this act. The attorney general is authorized to prosecute in the name of the state any and all actions for recovery of any loss incurred by the state under this act.

In case of default by any bank having a state bank account of any type, the securities pledged under this act shall be sold by the person holding such securities and payment of the proceeds of such sale shall be made to the state to the extent of its interest, but such sale shall be without recourse as to the state.

History: L. 1967, ch. 447, § 9; June 1.