

Approved

Date

2-21-85

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATIONThe meeting was called to order by Representative Stephen R. Cloud at
Chairperson9:04 a.m. on Thursday, February 14, 1985 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Avis Swartzman - Revisor
Carolyn Rampey - Legislative Research Dept.
Julian Efird - Legislative Research Dept.
Jackie Breymeyer - Committee Secretary

Conferees appearing before the committee:

Representative Sallee

The meeting of the Governmental Organization Committee was called to order at 9:04 a.m. by Representative Stephen R. Cloud, Chairman. The minutes of the February 7 meeting were approved. The February 12 minutes were distributed. The meeting's agenda consisted of consideration of two bill requests.

The first bill request came from the subcommittee dealing with the state treasurer's office and concerned the inactive accounts. The way in which inactive accounts and time deposit open accounts work was discussed. The rate the bank pays is spelled out by statute. Smaller banks have always been able to deal in the inactive accounts as long as no more than 26% of their capital or net worth is used. Time deposit open accounts usually run from two weeks up to one month. A smaller percentage of banks participate because they must have 8½ million dollars of capital or net worth. The rate for this type of account is calculated differently. It is calculated at the most recent 90 day T Bill rate. At the Monday auction banks pay the preceeding Monday's rate. No one seems to know why the system has operated in this way. The problem occurs when the rates fall and the inactive accounts sell at the preceeding three month average rate. This may be higher than the current market rate. The current situation is not attractive to banks because of having to pay the higher rate; therefore they opt not to participate in the inactive accounts. Four million dollars worth of inactive accounts have been returned because the banks do not want to pay the higher rate. The net result of this is that the smaller banks will be left out because an environment is being created that lets only the larger banks participate in the circulation of funds. The subcommittee would like to see the inactive account rate geared to the same mechanism as the time deposit open accounts and therefore sell at the same interest rate, which would be the current auction rate. The chairman was asked if there was any other alternative to this problem and he replied that this proposed bill seemed to offer the best solution. Susan Seltsam, State Treasurer's office, stated that the treasurer's office has no problem with this change.

Rep. Walker moved to introduce this bill as a committee bill. Rep. Sutter gave a second to the motion. The motion carried.

Representative Sprague explained the concept of the second bill request, which was to put the State Grain Inspection Department under the Sunset Law. The date would be July, 1986. He told of the Department, its powers as increased under Senate Bills 1 through 6 last year, and the turnover the Department has had. He stated that there were many areas that needed to be looked into.

Representative Don Sallee spoke in favor of the proposed bill, citing the Twombly elevator bankruptcy, which exceeds all other elevator bankruptcies in Kansas combined. No entity in the agricultural area is being looked into. The question arises of whether or not the State Grain Inspection Department is doing its job. Maybe some legislation is needed to help the situation. After several comments from committee members, Rep. Graeber moved to introduce this request as a committee bill. Rep. Hassler gave a second to the motion. The motion carried. It will be published in the Kansas Register.

After stating that hearings will be held on these two pieces of legislation in the near future, the chairman adjourned the meeting at 9:37 a.m.

SAC

