

MINUTES OF THE SENATE COMMITTEE ON DINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m./~~p.m.~~ on January 30, 1985 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Jim Maag, Kansas Bankers Association
Jim Turner, Kansas League of Savings Insitutions
Marvin Umholtz, Kansas Credit Union League

The minutes of January 29 were approved with the notation that the spelling of one of the conferee's names should be corrected from "Sullentrop" to Suellentrop".

The Chairman announced that the meeting would begin with requests for the introduction of bills.

Jim Maag, Kansas Bankers Association, requested the introduction of a bill which amends the UCCC simply by extending the sunset date on the ceiling on consumer credit loans for two years. (See Attachment I.)

Sen. Reilly made a motion to introduce the bill and refer it back to committee. Sen. Werts seconded, and the motion carried.

Jim Turner, Kansas League of Savings Institutions, requested the introduction of two bills. The first bill deals with payable on death accounts. (See Attachment II.) Mr. Turner stated that he knows of no controversy relative to this proposed bill.

Sen. Harder made a motion to introduce the bill and refer it back to committee. Sen. Burke seconded, and it carried.

The second bill deals with local public funds. (See Attachment III.) Mr. Turner requested that the bill be introduced but that it not be heard until after the multibank issue has been heard.

Sen. Harder made a motion to introduce the bill and refer it back to committee. Sen. Burke seconded the motion. The motion carried.

The Chairman announced that there would be further testimony on SB 42 which had been heard yesterday.

Marvin Umholtz, Kansas Credit Union League, gave testimony which he explained was for comments only as he could not say he supports or opposes the bill. (See Attachment IV.)

The hearing on SB 42 concluded with the testimony of Mr. Umholtz.

The Chairman began committee discussion of the bill by reminding the committee of the substitute bill which had been offered by Mr. Stones of the Kansas Bankers Association. He explained that the original bill was an attempt to copy the Florida statute which did not lend itself to Kansas statutes. At the time it was drafted, no one involved was aware of the Colorado proposal which Mr. Stones presented at the previous meeting. The Chairman noted that he had heard no objection to using the substitute for SB 42.

Sen. Harder made a motion to introduce Substitute for SB 42 and refer it back to committee. Sen. Werts seconded the motion.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on January 30, 1985

Sen. Karr asked for an explanation of the differences between the two bills. Staff explained that the original bill prohibits any corporation creating a non-bank bank and the Colorado bill prohibits any financial institution covered by FDIC.

Sen. Werts inquired if the FSLIC should be included, and the Chairman commented that there had been no concern expressed about this at this time.

Sen. Strick asked if the bill would result in suits being filed. The Chairman said that whether the bill is constitutional or not is still open and that with the bill at least Kansas has spoken.

Sen. Karr inquired as to if the regulatory power of the Bank Commissioner found in Section 2(c) of the original bill is found in the new bill. Staff explained that it is not in the new bill, but in the definition of bank in the new bill, it is implied that it is under the control of the Bank Commissioner, and the Attorney General is the enforcement officer of all state laws.

Sen. Gannon asked how Sears having deposits insured by All State would fit into this framework. Staff explained that there are no arrangements for this situation in the bill. Its concern is for bank charters because they are FDIC insured.

Sen. Karr asked what the intent of Section 4 of the original bill was. Staff answered that it was window dressing or a security blanket which, basically, means nothing.

The Chairman explained the exact changes appearing in the substitute bill. In the title "legal right" is changed to "is authorized to" in the Colorado bill. The same change takes place in line three of the substitute bill. Also, "to engage in the business of banking" is not in the Colorado bill.

The chairman called for a vote on the motion made by Sen. Harder to introduce the substitute for SB 42. The motion carried.

Sen. Werts made a motion to recommend Substitute for SB 42 favorably. Sen. Strick seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
Jan 30 85	Janel Wright	Topeka	KCHL
Jan 30 85	Mark M. Pugliese	Wichita	KCOL
Jan 30 85	Sgt. Ellen Doyle	Wichita	KCOL
Jan 30	John Stutz	Kansas City, Ks.	Great Rural Life
Jan 30	Ivan W. Wyatt	Wichita	Ks Farmers Union
Jan 30	Mary Eide	Topeka	Intera - A.G.'s office
Jan 30	Doug Brehm	Topeka	Intera - A.G. Office
"	Dvo GRANT	"	KCCJ
"	LARRY MAGILL	"	IIAK
"	John Peterson	"	KAEL
"	Eileen Davis	"	KLSI
"	Jim Jumper	Topeka	KLSI
"	Bill Curtis	Topeka	KASB
"	Mervin C. Umbholtz	Topeka	KCOL
"	Terry Humphrey	"	KMHI

Section 1. K.S.A. 1984 Supp. 16a-2-201 is hereby amended to read as follows:

16a-2-201. (1) With respect to a consumer credit sale, other than a sale pursuant to open end credit, a seller may contract for and receive a finance charge not exceeding that permitted by this section. . . .

(7) As an alternative to the rates set forth in subsection (2), during the period beginning on the effective date of this act and ending July 1, ~~1985~~ 1987, the seller may contract for and receive a finance charge not exceeding 21% per year on the unpaid balances of the amount financed.

Sec. 2. K.S.A. 1984 Supp. 16a-2-202 is hereby amended to read as follows:

161-2-202. (1) With respect to a consumer credit sale made pursuant to open end credit, the parties to the sale may contract for the payment by the buyer of a finance charge not exceeding that permitted in this section. . . .

(5) As an alternative to the rates set forth in subsection (3), during the period beginning on the effective date of this act and ending July 1, ~~1985~~ 1987, the parties to the sale may contract for and the seller may receive a finance charge not exceeding 21% per year on the amount determined pursuant to subsection (2).

Sec. 3. K.S.A. 1984 Supp. 16a-2-401 is hereby amended to reach as follows:

16a-2-401. (1) With respect to a consumer loan, including a loan pursuant to open end credit, a lender may contract for and receive a finance charge, calculated according to the actuarial method, not exceeding 18% per year on the unpaid balance of the amount financed not exceeding \$1,000 and 14.45% per year on that portion of the unpaid balance in excess of \$1,000. . . .

(9) As an alternative to the rates set forth in subsection (1) and subsection (2)(d), during the period beginning on the effective date of this act and ending July 1, ~~1985~~ 1987, a supervised lender may contract for and receive a finance charge not exceeding 21% per year on the unpaid balance of the amount financed.

Sec. 4. K.S.A. 1984 Supp. 16a-2-201, 16a-2-202 and 16a-2-401 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

1/30/85
Attachment I

KLSI Kansas
League of
Savings
Institutions

JAMES R. TURNER, President • Suite 612 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

January 30, 1985

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: REQUEST FOR INTRODUCTION

There appears to be some confusion relative to the establishment of payable-upon-death (P.O.D.) accounts by joint tenants at savings and loan associations and banks. The proposed bill draft would provide for joint tenancy POD accounts.

We would like to request introduction of this measure as a committee bill with reference back to the committee for future hearings.

James R. Turner
President

JRT:bw

Encl.

1/30/85
Attachment II

Bill No. _____

An Act relating to banks and savings and loan associations; concerning contracts for payment to beneficiaries upon death of one or more deposit account owners; rights of one or more owners during lifetime; change of beneficiary; amending K.S.A. 1984 Supp. 9-1215 and 9-1216 and K.S.A. 1984 Supp. 17-5828 and 17-5829 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas

Section 1. K.S.A. 1984 Supp. 9-1215 is hereby amended to read as follows:

~~An~~ One or more individual ~~adult~~ adults or ~~minor~~ minors, hereafter referred to as the owner, or owners, may enter into a written contract with any bank or trust company located in this state providing that the balance of the ~~owner's~~ deposit account, or the balance of the owner's legal share of a deposit account, at the time of death of the owner shall be made payable on the death of the owner or owners to one or more persons or, if the persons predecease the owner or owners, to another person or persons, hereafter referred to as the beneficiary or beneficiaries. If any beneficiary is a minor at the time the account, or any portion of the account, becomes payable to the beneficiary and the balance, or portion of the balance, exceeds the amount

specified by K.S.A. 59-3003 and amendments thereto, the moneys shall be payable only to a conservator of the minor beneficiary.

Transfers pursuant to this section shall not be considered testamentary or be invalidated due to nonconformity with the provisions of chapter 59 of the Kansas Statutes Annotated.

Every contract authorized by this section shall be considered to contain a right on the part of the owner or owners during the owner's lifetime of the owner or owners both to withdraw funds on deposit in the account in the manner provided in the contract, in whole or in part, as though no beneficiary has been named, and to change the designation of beneficiary. The interest of the beneficiary shall be considered not to vest until the death of the owner or owners.

No change in the designation of the beneficiary shall be valid unless executed in the form and manner prescribed by the bank or trust company and delivered to the bank or trust company prior to the death of the

For the purposes of this section, the balance of the owner's deposit account or the balance of the owner's legal share of a deposit account shall not be construed to include any portion of the account which under the law of joint tenancy is the property of another joint tenant of the account upon the death of

the owner. In the event the account names persons as owners in joint tenancy, the balance shall be distributed to the beneficiary upon the death of the surviving joint tenant.

As used in this section, "person" means any individual, individual or corporate fiduciary or nonprofit religious or charitable organization as defined by K.S.A. 79-4701 and amendments thereto.

Section 2. K.S.A. 1984 Supp. 9-1216 is hereby amended to read as follows:

When the owner or owners and the bank or trust company have entered into a contract authorized in K.S.A. 9-1215 and amendments thereto, the ~~owner's~~ deposit account subject to the contract or any part of or interest on the account shall be paid by the bank or trust company to the owner or owners or pursuant to the ~~owner's~~ order of the owner or owners during the owner's or owners' lifetime. On the owner's death, or on the death of the surviving joint tenant owner, the deposit account or any part of or interest on the account shall be paid by the bank or trust company to the designated beneficiary or beneficiaries. If any designated beneficiary is a minor at the time the account, or any portion of the account, becomes payable to the beneficiary and the balance, or portion of the balance, exceeds the amount

specified by K.S.A. 59-3003 and amendments thereto, the bank or trust company shall pay the moneys or any interest on them only to a conservator of the minor beneficiary. The receipt of the conservator shall release and discharge the bank or trust company for the payment.

Section 3. K.S.A. 1984 Supp. 17-5828 is hereby amended to read as follows:

An One or more individual ~~adult~~ adults or ~~minor~~ minors, hereafter referred to as the owner, or owners, may enter into a written contract with any savings and loan association located in this state providing that the balance of the ~~owner's~~ deposit account, or the balance of the owner's legal share of a deposit account, at the time of death of the owner shall be made payable on the death of the owner or owners to one or more persons or, if the persons predecease the owner or owners, to another person or persons, hereafter referred to as the beneficiary or beneficiaries. If any beneficiary is a minor at the time the account, or any portion of the account, becomes payable to the beneficiary and the balance, or portion of the balance, exceeds the amount specified by K.S.A. 59-3003 and amendments thereto, the moneys shall be payable only to a conservator of the minor beneficiary.

Transfers pursuant to this section shall not be considered testamentary or be invalidated due to nonconformity with the provisions of chapter 59 of the Kansas Statutes Annotated.

Every contract authorized by this section shall be considered to contain a right on the part of the owner or owners during the owner's lifetime of the owner or owners both to withdraw funds on deposit in the account in the manner provided in the contract, in whole or in part, as though no beneficiary has been named, and to change the designation of beneficiary. The interest of the beneficiary shall be considered not to vest until the death of the owner or owners.

No change in the designation of the beneficiary shall be valid unless executed in the form and manner prescribed by the savings and loan association and delivered to the savings and loan association prior to the death of the owner or owners.

For the purposes of this section, the balance of the owner's deposit account or the balance of the owner's legal share of a deposit account shall not be construed to include any portion of the account which under the law of joint tenancy is the property of another joint tenant of the account upon the death of the owner. In the event the account names persons as

owners in joint tenancy, the balance shall be distributed to the beneficiary upon the death of the surviving joint tenant.

As used in this section, "person" means any individual, individual or corporate fiduciary or nonprofit religious or charitable organization as defined by K.S.A. 79-4701 and amendments thereto.

Section 4. K.S.A. 1984 Supp. 17-5829 is hereby amended to read as follows:

When the owner or owners and the savings and loan association have entered into a contract authorized in K.S.A. 17-5828 and amendments thereto, the ~~owner's~~ deposit account subject to the contract or any part of or interest on the account shall be paid by the savings and loan association to the owner or owners or pursuant to the ~~owner's~~ order of the owner or owners during the owner's or owners' lifetime. On the owner's death, or on the death of the surviving owner, the deposit account or any part of or interest on the account may be paid by the savings and loan association to the designated beneficiary or beneficiaries. If any designated beneficiary is a minor at the time the account, or any portion of the account, becomes payable to the beneficiary and the balance, or any portion of the balance, exceeds the amount specified by K.S.A.

59-3003 and amendments thereto, the savings and loan association shall pay the moneys or any interest on them only to a conservator of the minor beneficiary. The receipt of the conservator shall release and discharge the savings and loan association for the payment.

Section 5. K.S.A. 1984 Supp. 9-1215, 9-1216, 17-5828 and 17-5829 are hereby repealed.

Section 6. This Act shall take effect and be in force from and after its publication in the statute book.

AN ACT concerning public moneys; relating to deposits and investments by governmental subdivisions; amending K.S.A. 1984 Supp. 9-1401, 9-1402, 9-1403, 9-1405, 9-1406, 12-1675 and 12-1676 and K.S.A. 1982 1984 Supp. 17-5002 and repealing the existing sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF KANSAS:

Section 1. K.S.A. 1984 Supp. 9-1401 is hereby amended to read as follows: K.S.A. 1984 Supp. 9-1401. (a). The governing body of any municipal corporation or quasi-municipal corporation shall designate by official action recorded upon its minutes the state and national banks and, trust companies, state and federally chartered savings and loan associations and federally chartered savings banks with home offices located in the State of Kansas which shall serve as depositories of its funds and the state and federally chartered savings and loan associations which shall serve as depositories; pursuant to K.S.A. 12-1675 to 12-1678a, inclusive, and amendments to such sections, of its invested funds and the officer and official having custody of such funds shall not deposit such funds other than at such designated banks and, trust companies and, savings and loan associations and federally chartered savings banks. The state and national banks and, trust companies, state and federally chartered savings and loan associations and federally chartered savings banks which have home offices located in the county or counties in which all or part of such municipal corporation or quasi-municipal corporation and the state and federally chartered savings and loan associations which have home offices located in such municipal corporation or quasi-municipal corporation is located shall be designated as such official depositories if the municipal or quasi-municipal corporation can obtain satisfactory security therefor, and such official depositories have a home office located in the State of Kansas.

(b) Every officer or person depositing public funds shall deposit all such public funds coming into such officer or person's possession in their name and official title as such officer. If the governing body of the municipal corporation or quasi-municipal corporation fails to designate an official depository or depositories, the officer thereof having custody of its funds shall deposit such funds with one or more state or national banks or, trust companies, state or federally chartered savings and loan associations or federally chartered savings banks which have home offices located in the county or counties in which all or part of such municipal corporation or quasi-municipal corporation is located and, for funds deposited pursuant to K.S.A. 12-1675 to 12-1678a, inclusive, and amendments to such sections, one or more state or federally chartered savings and loan associations which have home offices located in such municipal corporation or quasi-municipal corporation if satisfactory security can be obtained therefor and if not then elsewhere, but upon so doing shall serve notice in writing on the governing body showing the names and locations of such banks and, trust companies and, savings and loan associations and federally chartered savings banks where such funds are deposited, and upon so doing the officer having custody of such funds shall not be liable for the loss of any portion thereof except for official misconduct or for the misappropriation of such funds by such officer.

(c) As used in this section and K.S.A. 9-1402, 9-1403 and 9-1405, and amendments thereto, to such sections, "municipal corporation or quasi-municipal corporation" includes each investing governmental unit under K.S.A. 12-1675 and amendments thereto.

Sec. 2. K.S.A. 1984 Supp. 9-1402 is hereby amended to read as follows: 9-1402. (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 or federally chartered savings bank, such municipal or quasi-municipal corporation shall obtain security for such deposit in one of the following manners prescribed by this section.

1/30/95
Attachment III

(b) Such bank or, trust company or, savings and loan association or federally chartered savings bank 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 or federally chartered savings bank 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 or federally chartered savings bank 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 and obligations and securities of United States sponsored corporations which under federal law may be accepted as security for public funds.

(2) bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas which have been refunded in advance 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 or federally chartered savings banks;

(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., and amendments thereto, 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 or federally chartered savings bank 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 revenue of a utility which has been in operation for less than three years; or

(2) bonds issued under K.S.A. 12-1740 et seq., and amendments thereto, 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 or federally chartered savings bank 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.

Sec. 3. K.S.A. 1984 Supp. 9-1403 is hereby amended to read as follows: 1984 Supp. 9-1403. (a) During the periods of peak deposits occurring at tax paying time and tax distributing time and continuing for a period of not to exceed 60 continuous days at any given time and not to exceed 120 days in any calendar year the amount of security for the deposit of public moneys as required under K.S.A. 9-1402 and amendments thereto shall be reduced by 1/2 in amount thereof.

(b) The provisions of this section shall apply only to the deposits of all municipal corporations and quasi-municipal corporations, but the custodian of the funds of each of such municipal corporations or quasi-municipal corporations together with an officer of the depository state or national bank ~~or~~, trust company ~~or~~, state or federally chartered savings and loan association or federally chartered savings bank shall designate in writing the beginning of each such sixty-day period, and a copy thereof, fully executed, shall be kept on file in the office of the governing body of such municipal corporation or quasi-municipal corporation and in the files of such bank ~~or~~, trust company ~~or~~ such, savings and loan association or federally chartered savings bank.

Sec. 4. K.S.A. 1984 Supp. 9-1405 is hereby amended to read as follows: 1984 Supp. 9-1405. (a) All bonds and securities given by any bank ~~or~~, trust company ~~or~~, savings and loan association or federally chartered savings bank to secure public moneys of the United States or any board, commission or agency thereof, shall be deposited as required by the United States government or any of its designated agencies.

(b) All bonds and securities pledged to secure the deposits of any municipal corporation or quasi-municipal corporation shall be deposited with a state or national bank or trust company having adequate modern facilities for the safekeeping of securities or the federal home loan bank of Topeka, and a joint custody receipt taken therefor with one copy going to the municipal corporation or quasi-municipal corporation making the public deposit and one copy going to the bank or, trust company or, savings and loan association or federally chartered savings bank which has secured such public deposits. No bonds or securities pledged to secure public deposits shall be left for safekeeping in any safe deposit vault owned or controlled directly or indirectly by the bank or, trust company or, savings and loan association or federally chartered savings bank securing such public deposits.

(c) All such bonds and securities shall be deposited under a joint custody receipt issued by a bank within the state of Kansas or the federal reserve bank of Kansas City or the federal home loan bank of Topeka. All bonds or securities held by any depository and for which a joint custody receipt has been issued shall be retained by such depository and not released except upon consent of both the municipal corporation or quasi-municipal corporation making the deposit and the bank or, trust company or, savings and loan association or federally chartered savings bank taking or securing such deposit. In every report required to be published by any bank or, trust company or, savings and loan association or federally chartered savings bank it shall show in full all of the assets pledged or deposited as security for public moneys.

Sec. 5. K.S.A. 1984 Supp. 9-1406 is hereby amended to read as follows: 1984 Supp. 9-1406. No public officer nor the sureties upon such officer's bond shall be liable for any loss sustained by the failure or default of any designated depository or depositories after a deposit or deposits have been made in an officially designated bank or, trust company, savings and loan association or federally chartered savings bank as provided in this act. This exemption from liability shall apply even though other statutes shall require the furnishing of a bond or other securities by the designated depositories of public moneys.

Sec. 6. K.S.A. 1984 Supp. 12-1675 is hereby amended to read as follows: 1984 Supp. 12-1675. (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: (A) With savings and loan associations or federally chartered savings banks which have home offices located in such investing governmental unit; or (B) if the home office of no savings and loan association or federally chartered savings bank is located in such governmental unit, then with savings and loan associations or federally chartered savings banks 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 savings and loan associations or federally chartered savings banks 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 savings and loan associations or federally chartered savings banks may pay on such deposits under applicable law or regulation, whichever is lower, then with savings and loan associations or federally chartered savings banks 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;

(4) repurchase agreements with: (A) Commercial banks or, trust companies or, savings and loan associations or federally chartered savings banks 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 or federally chartered savings bank is located in such investing governmental unit; or (ii) if no commercial bank or, trust company or, savings and loan association or federally chartered savings bank has an home office located in such investing governmental 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 or federally chartered savings banks 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 or federally chartered savings bank which has its an 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 yeild 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 or federally chartered savings banks 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 an home office which is located within such governmental unit, or the appropriate eligible savings and loan associations or federally chartered savings banks, 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 in no such savings and loan association or federally chartered savings bank has an 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) avail-

able 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 association or federally chartered savings bank may pay on the investments authorized in clause (2) or clause (3) of subsection (b) under applicable law or regulation, whichever is lower.

Sec. 7. K.S.A. 1984 Supp. 12-1676 is hereby amended to read as follows: 1984 Supp. 12-1676. Except as otherwise provided in K.S.A. 12-1678a, and any amendments thereto, the provisions of this act authorizing the investment of moneys shall not apply to moneys collected or received by a county for apportionment, credit or distribution to the state or any political subdivision thereof. Interest paid by commercial banks or trust companies on time deposit, open accounts and certificates of deposit of investing governmental units and by savings and loan associations or federally chartered savings banks on time certificates of deposit of investing governmental units shall be at rates agreed upon by the governmental units and the banks, trust companies or, savings and loan associations or federally chartered savings banks.

Sec. 8. K.S.A. 1982 1984 Supp. 17-5002 is hereby amended to read as follows: 17-5002. (a) Administrators, executors who have filed bonds pursuant to K.S.A. 59-1101, and amendments thereto, conservators, trustees, insurance companies and other financial institutions, charitable, educational, eleemosynary corporations and organizations are authorized in addition to investments now authorized by law, to invest funds which they are authorized by law to invest, in shares or savings deposits of federally insured savings and loan associations or federally chartered savings banks with home offices located in the state of Kansas and such investment shall be deemed and held to be legal investments for such funds.

(b) The governing body of any municipal corporation or quasi-municipal corporation, county, 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 division in the state of Kansas having authority to receive, hold and expend public moneys or funds may invest the same in state or federally chartered savings and loan associations or federally chartered savings banks subject to and as provided by K.S.A. 9-1401, 9-1402, 9-1405, 9-1407, 12-1675 and 12-1676 and amendments to such sections.

Sec. 9. K.S.A. 1984 Supp. 9-1401, 9-1402, 9-1403, 9-1405, 9-1406, 12-1675 and 12-1676 and K.S.A. 1982 1984 Supp. 17-5002 are hereby repealed.

Sec. 10. This act shall take effect and be in force from and after its publication in the statute book.

TESTIMONY ON S.B. 42
AN ACT concerning banks and banking; relating to
the control of banks

Presented to the
SENATE COMMITTEE ON
FINANCIAL INSTITUTIONS AND INSURANCE

January 29, 1985
by the
KANSAS CREDIT UNION LEAGUE

Mr. Chairman, members of the Committee:

I am Marvin Umholtz, Vice President of Credit Union Development for the Kansas Credit Union League (KCUL). Our association represents 97% of the 168 state-chartered and 46 federally-chartered credit unions located in Kansas. KCUL member credit unions serve the personal financial needs of over 400,000 individual credit union members and have almost \$1 billion in combined assets. Kansas credit unions range in asset size from approximately \$26,000 to \$61 million and range in size of membership from 57 members to 25,000 members.

I appreciate having this opportunity to appear before the Committee to provide comments on S.B. 42, the "non-bank bank" bill. I would like to make it clear to the Committee at the outset of this testimony that the Kansas Credit Union League is neither in favor of nor against the passage of S.B. 42. It is not the intention of our association to intrude upon the Legislature's consideration of legislation concerning bank ownership structure or other strictly banking issues.

Our appearance before this body is intended to be preventative in nature. The history of Congressional discussions on the non-bank bank issue has taught us by experience that non-bank bank bills inevitably trigger legislative discussions concerning the establishment of a new statutory framework for the delivery of personal financial services to consumers.

1/30/85
Attachment IV

KCUL hopes that this Committee and the Kansas Legislature will continue its historic support of credit union statutes which are uniquely designed to facilitate the delivery of personal financial services to our consumer-member/owners. We would also urge Committee members to be alert for and guard against amendments to S.B. 42 which would, whether inadvertently or by design, undermine the differences between credit unions as member-owned financial cooperatives and other financial services providers which are owned by small groups of entrepreneurs or corporations.

SUMMARY

Credit unions, by their statutory framework, their one-member, one-vote democratic organizational structure and their cooperative-based systems for the delivery of personal financial services to their members, play a unique role in the Kansas financial community. We ask the members of this Committee to continue their historically demonstrated support for the credit union way of service. The passage or non-passage of S.B. 42 in its current form will not damage the ability of credit unions to serve their consumer-members. We urge the Committee to guard against inappropriate amendments.

Thank you, Mr. Chairman, for this opportunity to appear before the Committee to express our concerns. I will respond to questions as directed by the Chairman.