

Approved January 28, 1986

Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

9:00 a.m./~~p.m.~~ on January 23, 1986 in room 529-S of the Capitol.

All members were present except:

Senator: Harder - Excused

Committee staff present:

Myrta Anderson, Legislative Research  
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

None

The minutes of January 22 were approved.

The Chairman began the meeting with a request for the introduction of a bill dealing with credit property insurance that is sold in connection with consumer loans. (See Attachment I). Sen. Warren made a motion to introduce the bill and refer it back to committee. Sen. Burke seconded, and the motion carried.

The Chairman also had a request for the introduction of a resolution relating to the bill requested for introduction. The resolution requests the Insurance Commissioner to change the limits on certain insurance policies. (See Attachment II). Sen. Strick made a motion to introduce the resolution and refer it back to committee, Sen. Karr seconded the motion, and the motion carried.

The Chairman called the committee's attention to copies of the Substitute for SB 139 which had been prepared by staff. (See Attachment III). Staff explained all the amendments and changes. Sen. Werts had a question regarding section (d) on page 14 as to the meaning of it. After brief discussion, it was determined that the word "such" should be inserted before "deposits" on line six of section (d).

Sen. Karr made a motion to introduce Substitute for SB 139. Sen. Burke seconded, and the motion carried.

Sen. Burke made a motion to recommend Substitute for SB 139 favorably, Sen. Werts seconded, and the motion carried.

The Chairman began a discussion of SB 284 which is an insurance bill that would establish a guaranty fund on life and health insurance which had been the subject of an interim committee study. He informed the committee that the Insurance Department suggested that the bill be killed due to the results of the interim study, and if they address it again, it will be in another bill.

Sen. Strick made a motion to report SB 284 adversely, Sen. Gannon seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS  
(Please print)

DATE                      NAME                      ADDRESS                      REPRESENTING

DATE	NAME	ADDRESS	REPRESENTING
	M. Hawes	Cap Journal	Topeka
	Jani Zumer	Topeka	KLSI
	David Corant	Topeka	KCCJ
	Joe Ellen	Wichita	KAWA
	Janel Wright	Topeka	KCUFA
	Jim May	"	KBA

SENATE BILL NO. \_\_\_\_\_

~~By Senator Arasmith~~

AN ACT concerning credit property insurance; amending K.S.A. 16a-4-301 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 16a-4-301 is hereby amended to read as follows: 16a-4-301. (1) A creditor may not contract for or receive a separate charge for insurance against loss of or damage to property unless:

(a) The insurance covers a substantial risk of loss of or damage to property all or part of which is related to the credit transaction;

(b) the amount, terms, and conditions of the insurance are reasonable in relation to the character and value of the property insured or to be insured; and

(c) the term of the insurance is reasonable in relation to the terms of credit.

(2) The term of the insurance is reasonable if it is customary and does not extend substantially beyond a scheduled maturity.

(3) A creditor may not contract for or receive a separate charge for insurance against loss of or damage to property unless property is purchased pursuant to a credit card or in a transaction pursuant to open end credit, or unless the amount financed exclusive of charges for the insurance is ~~three--hundred dollars--(\$300)~~ \$300 or more, and the value of the property is ~~three-hundred-dollars--(\$300)~~ \$300 or more.

Sec. 2. K.S.A. 16a-4-301 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

1/23/86 Sen. F.I.\*I  
Attachment I

## SENATE CONCURRENT RESOLUTION NO. \_\_\_\_\_

~~By Senator Arasmith~~

A CONCURRENT RESOLUTION concerning credit insurance; requesting the modification of K.A.R. 40-5-10, as adopted by the commissioner of insurance and filed with the revisor of statutes on December 4, 1985.

Be it resolved by the Senate of the State of Kansas, the House of Representatives concurring therein: That the commissioner of insurance be requested to modify K.A.R. 40-5-10, as adopted by the commissioner of insurance and filed with the revisor of statutes on December 4, 1985, as follows:

40-5-10. Credit insurance; fire and extended coverage; issuance for single indivisible premium; requirements. Fire and extended coverage insurance permitted by K.A.R. 40-5-6 may be issued for a single indivisible premium subject to the following requirements:

(a) The location of the property insured shall be expended by the policy provisions to insure the property at any location within the continental limits of the United States.

(b) The maximum amount of insurance permitted under such policy shall not exceed ~~\$1,500~~ \$3,000.

(c) The insurer shall be required to obtain a statement from the insured to the effect that:

(1) No other valid and collectible insurance on the insured property exists;

(2) the purchase of insurance from any insurer or agent was the choice of the insured;

(3) the purchase of insurance in connection with the credit transaction is entirely voluntary and not a prerequisite to the extension of credit; and

(4) the creditor may not refuse or decline the insurance provided by the consumer except for reasonable cause.

1/23/86 Sen. FI&I  
Attachment II

Be it further resolved: That the Kansas legislature requests the modification of K.A.R. 40-5-10, as adopted by the commissioner of insurance and filed with the revisor of statutes on December 4, 1985.

## Substitute for SENATE BILL NO. 139

By Committee on Financial Institutions and Insurance

AN ACT concerning public moneys; relating to deposits and investments by governmental subdivisions; amending K.S.A. 1985 Supp. 9-1401, 9-1402, 9-1403, 9-1405, 9-1406, 12-1675, 12-1676 and 17-5002 and K.S.A. 1984 Supp. 9-1402, as amended by section 2 of 1985 House Bill No. 2122 and repealing the existing sections; also repealing K.S.A. 1985 Supp. 9-1402, as amended by section 2 of 1986 Substitute for Senate Bill No. 139.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1985 Supp. 9-1401 is hereby amended to read as follows: 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, 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 officer and official having the custody of such funds shall not deposit such funds other than at such designated banks, trust companies, state or federally chartered savings and loan associations and federally chartered savings banks. The state and national banks, 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 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

1/23/86 Sen. FI&I  
Attachment III

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, 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 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, trust companies, state or federally chartered 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. 1985 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, trust company, 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.

(b) Such bank, trust company, state or federally chartered

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, trust company, state or federally chartered 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, trust company, 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 100% 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, trust company, 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 revenues 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) Whenever a bond is authorized to be pledged as a security under this section, such bond shall be accepted as a security if (1) in the case of a certificated bond, it is assigned, delivered or pledged to the holder of the deposit for security; (2) in the case of an uncertificated bond, registration of a pledge of the bond is authorized by the system and the pledge of the uncertificated bond is registered; or (3) in a form approved by the attorney general, which assures the availability of the bond proceeds pledged as a security for public deposits.

(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<sub>1</sub> and amendments thereto<sub>1</sub> 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. On and after July 1, 1986, K.S.A. 1984 Supp. 9-1402, as amended by section 2 of 1985 House Bill No. 2122, 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, trust company, 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.

(b) Such bank, trust company, state or federally chartered 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, trust company, state or federally chartered 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, trust company, 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 100% 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) 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;

(7) 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;

(8) 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.;

(9) 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

(10) 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, trust company, 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 revenues 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) Whenever a bond is authorized to be pledged as a security under this section, such bond shall be accepted as a security if (1) in the case of a certificated bond, it is assigned, delivered or pledged to the holder of the deposit for security; (2) in the case of an uncertificated bond, registration of a pledge of the bond is authorized by the system and the pledge of the uncertificated bond is registered; or (3) in a form approved by the attorney general, which assures the availability of the bond proceeds pledged as a security for public deposits.

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

Sec. 4. K.S.A. 1985 Supp. 9-1403 is hereby amended to read as follows: 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, trust company, 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, trust company, state or federally chartered savings and loan association or federally chartered savings bank.

Sec. 5. K.S.A. 1985 Supp. 9-1405 is hereby amended to read as follows: 9-1405. (a) All bonds and securities given by any bank, trust company, state or federally chartered 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 Kansas 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, trust company, state or federally chartered 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, trust company, state or federally chartered 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, trust company, state or federally chartered savings and loan association or federally chartered savings bank taking or securing such deposit. In every report required to be published by any bank, trust company, state or federally chartered 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.

(d) A bank, trust company, state or federally chartered savings and loan association or federally chartered savings bank which fails to pay according to its terms any deposit of public moneys of any municipal or quasi-municipal corporation shall immediately take such actions as are required to enable bonds and securities pledged to secure such deposit to be sold to satisfy its obligation to the municipal or quasi-municipal corporation.

Sec. 6. K.S.A. 1985 Supp. 9-1406 is hereby amended to read as follows: 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, trust company, state or federally chartered 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. 7. K.S.A. 1985 Supp. 12-1675 is hereby amended to read as follows: 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 or no-fund warrants 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 in 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 state or federally chartered 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 state or federally chartered savings and loan association or federally chartered savings bank is located in such governmental unit, then with 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 investing governmental unit is located; or (C) if such



appropriate eligible state or federally chartered 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 state or federally chartered savings and loan associations or federally chartered savings banks which have home offices located within in 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, trust companies, state or federally chartered 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, trust company, state or federally chartered savings and loan association or federally chartered savings bank is located in such investing governmental unit; or (ii) if no commercial bank, trust company, state or federally chartered savings and loan association or federally chartered savings bank has a--home an 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, 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 investing governmental unit is located; or (C) if no bank, trust company, state or federally chartered savings and loan association or federally chartered savings bank 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, trust companies, state or federally chartered 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 paragraph (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 an office which is located within such governmental unit, or the appropriate eligible state or federally chartered 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 if no such state or federally chartered savings and loan association or federally chartered savings bank has a--home an office which is located

within such governmental unit, cannot or will not make the investments authorized in clause paragraph (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, trust companies, savings and loan associations or federally chartered savings banks may pay on the investments--authorized--in--clause--(2)--or--clause--(3)--of subsection--(b)--under applicable law or regulation, whichever is lower.

(d) In selecting a depository pursuant to paragraph (2) or (3) of subsection (b), if a commercial bank, trust company, state or federally chartered savings and loan association or federally chartered savings bank has an office located in the investing governmental unit and such financial institution will make deposits available to the investing governmental unit at interest rates equal to or 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 such financial institution otherwise qualifies for such deposit, the investing governmental unit shall select one or more of such financial institutions for deposit of funds pursuant to this section. If no such financial institution qualifies for such deposits, the investing governmental unit shall select for such deposits one or more commercial banks, trust companies, state or federally chartered savings and loan associations or federally chartered savings banks which have offices located in the county or counties in which all or a part of such investing governmental unit is located which will make deposits available to the investing governmental unit at interest rates equal to or 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 which otherwise qualify for such deposits. If no such financial institution qualifies for such deposits, the investing governmental unit may select for such deposits one or more commercial banks, trust companies, state or federally chartered savings and loan associations or federally chartered savings banks which have offices located within the county or counties of the state of Kansas adjacent to the county or counties in which all or a part of the investing governmental unit is located.

Sec. 8. K.S.A. 1985 Supp. 12-1676 is hereby amended to read as follows: 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 state or federally chartered 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, state or federally chartered savings and loan associations or federally chartered savings banks.

Sec. 9. K.S.A. 1985 Supp. 17-5002 is hereby amended to read as follows: 17-5002. (a) Administrators, executors, 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 in the state of Kansas and in credit unions which are, in whole or in part, insured with an insurer or guarantee corporation as required under K.S.A. 17-2246, and amendments thereto, 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 with home offices in the state of Kansas 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. 10. K.S.A. 1985 Supp. 9-1401, 9-1402, 9-1403, 9-1405, 9-1406, 12-1675, 12-1676 and 17-5002 are hereby repealed.

Sec. 11. On and after July 1, 1986, K.S.A. 1984 Supp. 9-1402, as amended by section 2 of 1985 House Bill No. 2122 and K.S.A. 1985 Supp. 9-1402, as amended by section 2 of 1986 Substitute for Senate Bill No. 139, are hereby repealed.

Sec. 12. This act shall take effect and be in force from and after its publication in the Kansas register.