

Approved _____ Date _____

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

5:30 a.m./p.m. on April 9, 1986 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Robin Hunn, Gloria Timmer
Revisor's Office: Norman Furse, Gordon Self
Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

Kenneth Kern, Executive Director, State Conservation Commission {By
written testimony}
Jim Maag, Kansas Bankers Association
Kathy Peterson, Committee of Kansas Farm Organizations
Ron Wilson, Farm Credit Services

HB 3111 - State Conservation Commission; grants for enduring water
conservation practices

Mr. Kern's statement supporting HB 3111 is attached to these minutes. It was read by the Chairman before the full committee. {Attachment A} There was a brief discussion concerning the measure.

Motion was made by Senator Gaines and seconded by Senator Werts to report
HB 3111 favorably for passage. The motion carried by roll call vote.

HB 2635 - Relating to state moneys; securities

Mr. Maag distributed his prepared testimony and presented it to the committee. {See attachment B} There were several questions from members of the committee, and a brief discussion concerning the provisions of HB 2635.

Motion was made by Senator Gaines and seconded by Senator Harder to delete
the language pertaining to investments in South Africa. The motion carried
by voice vote.

Ms. Peterson distributed Attachment C and read from that prepared statement. Committee members were given the opportunity to question her.

Mr. Wilson presented testimony in support of HB 2635 {Attachment D}. There were a number of questions from members of the committee.

Motion was made by Senator Gaines and seconded by Senator Doyen to report
HB 2635 favorably as amended. The motion carried by roll call vote.

HB 2801 - Supplemental Appropriations for FY 1986

At the request of the Chairman, motion was made by Senator Doyen and seconded
by Senator Talkington to reconsider committee action on HB 2801. The motion
carried by voice vote.

Senator Talkington explained that it is important that the State of Kansas continue trade relations with Thailand, Taiwan, and China, and that there is need for an additional \$25,000 for FY 1986 to fund official hospitality for visitors from those

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
room 123-S, Statehouse, at 5:30 a/m./p.m. on April 9, 1986

HB 2801 - Continued

countries, for a trade fair in Shanghai, and for another visit by the Governor to that area.

Motion was made by Senator Talkington and seconded by Senator Doyen to amend HB 2801 by including \$25,000 for purposes set out above. The motion carried by voice vote. (See proposed amendment attached)

Motion was made by Senator Talkington and seconded by Senator Doyen to report HB 2801 as further amended favorably for passage. The motion carried by roll call vote.

SB 646 - Retirement annuities for faculty members, etc.

Reference was made to an amendment to SB 646 which had been approved by the committee at its meeting on April 7.

Motion was made by Senator Winter and seconded by Senator Gannon to amend SB 646 to allow for no waiting period to be covered by TIAA for faculty members over age 40. The motion lost on a voice vote.

Motion was made by Senator Talkington and seconded by Senator Harder to report SB 646 as amended favorably for passage. The motion carried by roll call vote.

SB 641 - Board of Regents; residence requirements for fee purposes

The Chairman noted that SB 641 had been heard at an earlier date, and asked if the committee would like to take action on the proposal. No motions were made, and no action was taken.

SB 745 - Uniform commercial code; authorizing Secretary of State to fix fees

There was an extended discussion concerning the provision of this bill and the balance in the fee fund.

Motion was made by Senator Feleciano and seconded by Senator Talkington to reconsider the insertion of HB 3146 by committee action on April 8, and to amend SB 745 only by making technical adjustments by deleting language in section (4) on page 8. The motion carried by voice vote.

Motion was made by Senator Feleciano and seconded by Senator Werts to report SB 745 as amended at this meeting favorably for passage. The motion carried by roll call vote.

INTRODUCTION OF BILLS

Senator Allen appeared to request introduction of four bills concerning issuance of general obligation bonds by unified school districts. He explained that a suit has been filed in Sedgwick County concerning the legality of balloting by mail for bond elections. He noted that the bills requested are for protection of four school districts (Ottawa, Neodesha, Hoisington and Prairie View) which have already held elections by mail for issuance of bonds.

Motion was made by Senator Talkington and seconded by Senator Harder to introduce the bills requested (RS 2886, 2887, 2888 and 2891) The motion carried by voice vote.

The meeting was adjourned by the Chairman.



State Conservation Commission

Telephone (913) 296-3600

109 S.W. 9th Street, Room 300

Topeka, Kansas 66612

TESTIMONY BY
KENNETH F. KERN
EXECUTIVE DIRECTOR

SENATE WAYS AND MEANS COMMITTEE
House Bill 3111
April 9, 1986

The State Conservation Commission supports the House Ways and Means Committee's clarification of K.S.A. 2-1915 that authorizes cost-sharing with landowners for enduring water conservation practices to conserve the natural resources of Kansas.

The addition of specific practices and providing the same wording as the appropriations bill ---- enduring water conservation practices --- will further clarify the legislative intent.

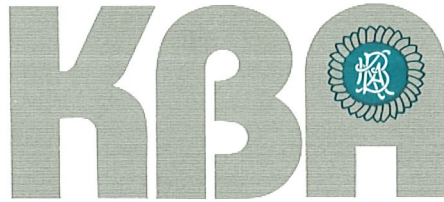
The proposed legislation would not require additional funds or staff to implement.

The State Conservation Commission recommends favorable consideration be given to House Bill - 3111.

S.W.+m

A

4-9-86
5:30 p.m.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

April 9, 1986

TO: Senate Committee on Ways and Means

RE: House Bill 2635

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear before the committee on the provisions of HB 2635. In light of the issuance of Attorney-General Opinions 86-13 and 86-20 earlier this year, we believe it is very important for the Legislature to enact this proposal.

The bill, as amended, would bring the pledging statutes for state monies into closer conformity with the pledging statutes for local public funds. The statute for local funds (K.S.A. 9-1402) was amended in 1982 to include "obligations and securities of United States sponsored corporations" as eligible securities for pledging and as a result securities such as those of the Farm Credit System and the Federal National Mortgage Association could be used for local public funds pledging. Unfortunately, K.S.A. 75-4201 which addresses the eligible securities for pledging on state funds was not also amended thus creating the current problem mentioned in the two Attorney-General Opinions.

Many banks hold securities of federally-sponsored corporations and have been using them for pledging on state funds until the recent Attorney-General Opinions. Thus, it is important that they have the opportunity to continue to use these securities in the same manner just as they are able to do with local public funds. In addition, the current actions by the United State Congress on the taxation of municipal bonds may well reduce dramatically the amount of such bonds held by banks and that will necessitate a shift in what securities the banks will use. Therefore, it may become more important than ever that federally-sponsored securities be eligible for pledging on state monies.

We would also request that the committee remove from the bill the House amendment concerning South African investments. It duplicates policy already followed by the Pooled Money Investment Board (PMIB) and would not leave the PMIB with any flexibility for examination and enforcement. Unless the Legislature is willing to significantly increase the staffing of the PMIB there is no way they could accurately examine the portfolios of over 600 banks to see if they were complying with the act.

I appreciate your consideration of this important issue and strongly urge you to recommend HB 2635 favorably for passage.

James S. Maag
Director of Research
Kansas Bankers Association

Office of Executive Vice President • 707 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

S.W.M.

B
4-9-86 5:30p.m.

Committee of . . .

Kansas Farm Organizations

Kathy Peterson
Legislative Agent
2301 S.W. 33rd Street
Topeka, Kansas 66611
(913) 267-4356

STATEMENT OF
KATHY PETERSON
COMMITTEE OF KANSAS FARM ORGANIZATIONS
HB 2635
SENATE WAYS AND MEANS COMMITTEE
APRIL 9, 1986

Mr. Chairman and members of the committee:

I appreciate the opportunity to appear before you this afternoon in support of House Bill 2635, clarifying the pledging of Farm Credit System securities, and others, as collateral for idle state deposits.

I am Kathy Peterson, representing the Committee of Kansas farm Organizations. We are a group of 21 Kansas farm organizations dedicated to forming consensus opinions on issues facing agriculture. Attached is a listing of the member organizations.

The 21 member organizations did vote unanimously to support HB 2635 because of its importance to all of agriculture. Although on the surface the bill appears to affect only financial institutions and the State Treasury, it is vital to the farmers and ranchers who rely on the Farm Credit System for agricultural loans. If this bill is not passed, it is a very real possibility that borrowers will be forced to suffer higher interest rates. If banks were forced to dump their FCS securities, the market would respond with higher rates for farm borrowers.

It is important to point out that this bill DOES NOT establish new state policy. For years, banks have been using these securities as collateral. A recent Attorney General's opinion, however, finds that current law does not provide for this and as a result, this bill has been suggested and encouraged for passage. Last year, prior to the ruling, more than 100 Kansas banks used FCS securities as collateral for idle state monies.

Failure to adopt this measure jeopardizes the financial security of many farm borrowers who have so far been successful in maintaining adequate cash-flow to at least meet interest payments.

For these reasons, the CKFO strongly encourages you to recommend HB 2635 for passage.

J. W. M.

C

4-9-86

5:30 p.m.

Committee of . . .

Kansas Farm Organizations

Kathy Peterson

Legislative Agent
2301 S.W. 33rd Street
Topeka, Kansas 66611
(913) 267-4356

MEMBER ORGANIZATIONS

ASSOCIATED MILK PRODUCERS, INC.

KANSAS AGRI-WOMEN

KANSAS ASSOCIATION OF SOIL
CONSERVATION DISTRICTS

KANSAS ASSOCIATION OF WHEAT GROWERS

KANSAS COOPERATIVE COUNCIL

KANSAS CORN GROWERS ASSOCIATION

KANSAS ELECTRIC COOPERATIVES

KANSAS ETHANOL ASSOCIATION

KANSAS FARM BUREAU

KANSAS FERTILIZER AND CHEMICAL ASSOCIATION

KANSAS GRAIN AND FEED DEALERS ASSOCIATION

KANSAS LIVESTOCK ASSOCIATION

KANSAS MEAT PROCESSORS ASSOCIATION

KANSAS PORK PRODUCERS COUNCIL

KANSAS SEED DEALERS ASSOCIATION

KANSAS SHEEP ASSOCIATION

KANSAS SOYBEAN ASSOCIATION

KANSAS STATE GRANGE

KANSAS LIVESTOCK MARKETING ASSOCIATION

KANSAS VETERINARY MEDICAL ASSOCIATION

MID-AMERICA DAIRYMEN

TIME IS SHORT -- QUICK ACTION NEEDED ON H.B. 2635

We urge the Legislature to act quickly to approve H.B. 2635, in order to clarify an issue regarding pledging of state funds.

Under current law, the state of Kansas can invest excess or "idle" funds in Kansas banks. The law requires that state banks receiving excess state funds as deposits must purchase financial instruments to "pledge" as collateral for those deposits.

Farm Credit System (FCS) securities have qualified as collateral for state deposits for many years in Kansas. In fact, a 1969 Attorney General ruling held that farm credit securities would be acceptable. However, a legal review by the State Treasurer and the Attorney General in early 1986 found that current state law is not broad enough to include FCS and other similar securities for pledging.

H.B. 2635 by Representative Ron Fox will solve the problem. As amended by Pensions and Investments and approved by the House Ways and Means Committees, it simply states that securities issued by "United States sponsored corporations which under federal law may be accepted as security for public funds" would be authorized for pledging at the state level as well. This is the same language which is already on the books for the municipal level in Kansas.

In 1985, over 100 Kansas banks used farm credit securities as collateral for excess fund deposits. If FCS securities are denied eligibility, banks will have to dump those securities on the market. With reduced demand, the FCS would have to offer higher interest rates to attract investors -- which translates into higher interest rates for Kansas farmers and ranchers!

That added upward pressure on interest rates is unnecessary and can be avoided by the quick enactment of H.B. 2635.

H.B. 2635 is consensus legislation. It is supported by the Attorney General, the State Treasurer, the Kansas Bankers Association, the Committee of Kansas Farm Organizations and all of the parties involved in this issue. It is essentially a technical clarification, since FCS, Fannie Mae and other similar securities have been used for many years, but it is an important one.

If the Kansas legislature adjourns without passing H.B. 2635, Kansas banks will be forced to dump millions of dollars of FCS and other securities. Such disruption is not necessary. This legislation should be passed and signed quickly, to clarify this matter for the benefit of Kansas banks and Kansas farm borrowers.

S. W + M

D
4-9-86
5:30 p.m.

Proposed Amendment to House Bill No. 2801
(As Amended by House Committee of the Whole)

Be amended:

On page 8, preceding line 336, by inserting the following new section to read as follows:

"Sec. 18.

5-1

STATE BOARD OF AGRICULTURE

(a) There is appropriated for the above agency from the state general fund the following:

Other operating expenditures (including official hospitality).....	\$ 25,000";
---	-------------

And by renumbering sections accordingly