

Approved March 2, 1989
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by Representative Vernon L. Williams at
Chairperson

9:10 a.m./~~p.m.~~ on February 15, 1989 in room 521-S of the Capitol.

All members were present except:

Representative Belle Borum (Excused)
Representative Norman Justice (Excused)
Representative Barbara Allen (Excused)

Committee staff present:

Richard Ryan, Legislative Research
Mary Meier, Committee Secretary

Conferees appearing before the committee:

Ernie Mosher, Kansas League of Municipalities
John Koepke, Kansas Association of School Boards
Jim Maag, Kansas Bankers Association
Charles Hostetler, First Savings Bank of Manhattan
Jim Turner, Kansas League of Savings Institutions

Representative Williams called the second meeting of the House Committee on Pensions, Investments and Benefits to order. He introduced new members of the Committee: Carol Sader, Ranking Minority Leader, and J. C. Long, Vice Chairman, and staff members Richard Ryan, Legislative Research and Mary Meier, Committee Secretary. He briefly outlined Committee meeting procedure and pointed out a printed protocol for meetings given to each member. He noted that bills previously authorized for drafting were in process and would be introduced very soon. Hearing on HB 2078 was commenced by the appearance of Ernie Mosher, Kansas League of Municipalities, proponent of the bill, who urged the deletion of the restriction of investment in Treasury Notes by local governing units to a period of 6 months. He said that his organization's interest was primarily that generally Treasury bills of 6 months to a year have a higher rate of return than those of shorter duration. That if local governing units were able to take advantage of the longer term interest rates it would result in a lowering of property taxes. (See Att. #1). Mr. Mosher was questioned by Representatives Rezac, Guldner and Wilbert about the feasibility of a longer term and if tax monies would be collected at a time coincident with investment of money. It was emphasized that statute was originally designed for short term investment. Chairman Williams then introduced John Koepke, Executive Director, KASB, who appeared as a proponent of HB 2078 and who expressed his Association's position that the investment statute should protect taxpayers of local units by providing them the ability

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 521-S, Statehouse, at 9:10 a.m./~~XXX~~ p.m. on February 15, 1989


to get a maximum return on their investment, whether or not it protects local financial institutions. (See Att. #2). Questions were propounded by Representatives Guldner, Wilbert and Rezac with regard to economic development in small towns and the effect this statute has. Discussion followed about the political expediency of investing local funds outside the local governing units.

Jim Maag, Kansas Bankers Association, appeared as an Opponent of HB 2078, and spoke in favor of retaining the statute as originally written. That public funds should be invested in a safe and prudent manner and that they should remain in the community. (See Att. #3 and #4). Questions and discussion followed about leverage merits and pitfalls of local banking and financial institutions competing in bidding wars. Chairman Williams then announced the close of hearing on HB 2078.

Hearing on HB 2148 was then opened. Jim Turner, President, Kansas League of Savings Institutions, appeared as a proponent of HB 2148, which would allow federally insured savings and loan institutions in Kansas to bid on state fee agency accounts. (See Att. #5) /Charles Hostetler, Chairman of Board of Directors of First Savings Bank of Manhattan, appeared as a proponent of HB 2148. He spoke in favor of amending the statute to allow savings and loan associations to bid competitively for state funds. (See Att. #6) Jim Maag, Kansas Bankers Association, appeared as an Opponent of HB 2148. (See Att. #7) / He emphasized that the state accounts in question were mostly the Regent's accounts with daily average balances of \$4-5 million and until Congress resolves the present savings and loan industry crisis the statute should remain unchanged. That if this bill were to become law the insolvent savings and loan institutions could bid, as well as those in stable condition. Representative Rezac questioned the fact that Kansas has had a record number fo bank closures in the past 5 years. Mr. Maag responded that when a bank is insolvent, it is closed and not allowed to continue to operate.

Hearing on HB 2048 closed.

Meeting adjourned at 10:05 a.m.



Representative Vernon L. Williams
Chairman

2-15-01

HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

2078
2148

Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

NAME	ADDRESS	ORGANIZATION	BILL NO.
Kathy Taylor	Topeka	Kans Bankers Assn	
Chuck Stoner	"	"	
Charles Hestitt	Manhattan	First Bank	
Jimi Turner	Topeka	KLST	
JEFF SONNICH	TOPEKA	KS LEAGUE OF SAVINGS INST.	
Jim Mang	"	KBA	



League of Kansas Municipalities

Municipal Legislative Testimony

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

TO: House Committee on Pensions, Investments and Benefits
 FROM: E.A. Mosher, Executive Director
 RE: HB 2078--Municipal Treasury Bill Investments
 DATE: February 15, 1989

HB 2078 was introduced by the House Committee on Local Government at the request of the League. As shown in line 106 on page 3, the bill amends K.S.A. Supp. 12-1675 to remove the present six-month's limit on the investment of public funds by municipalities in United States treasury bills or notes.

Background. K.S.A. Supp. 12-1675 is the general investment statute, applicable to all local governments. In the case of governmental units other than cities and counties, it is an authorization statute. In the case of cities and counties, which have home rule powers, it is in effect a limitation or restriction on the investment of public funds "which are not immediately required for the purposes for which the moneys were collected."

The authorization for the investment in U.S. treasury bills or notes, under this statute, is available only if a "local" bank, trust company or savings and loan association or bank will not make available to the investing unit a rate equal to or more than the average yield received on 91-day treasury bills for TDOAs, CDs or time CDs. While the bill amends a lengthy statute, it simply strikes out the clause "but not exceeding six months" in subsection (b)(5), which now reads: "United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding six months."

Purpose and Advantages. The purpose of this bill is simply to authorize local governing bodies, when the option is available, to invest in treasury bills or notes for a period exceeding six months. With reasonably sophisticated cash management practices, investments in T-bills in excess of six months is both practical and financially advantageous to municipalities.

It should also be noted that the general investment statute is available as an investment authorization for public funds other than current, general operating funds. For example, cemetery perpetual care endowment funds, under K.S.A. 12-1410, may be invested under K.S.A. 12-1675. Other examples includes building funds (K.S.A. 12-1737), funds for the acquisition of ambulances and fire fighting equipment (K.S.A. 12-110b), and municipal utility deposits (K.S.A. 12-822.)

As a general rule, the investment return rate increases with the maturity of the investment. For example, on February 13, 1989, the U.S. Treasury Department's auction of three-month bills resulted in a return rate of 8.80%. The rate for six-month bills brought an average return rate of 9.05%. On that same date, the Federal Reserve stated that the average yield for one-year treasury bills was 9.15%.

For some local units, the bill will permit increased investment earnings, thus reducing the amount of taxes and charges otherwise necessary to finance local functions.

HOUSE PENSIONS, INVESTMENTS & BENEFITS COMM. -
 2-15-89
 ATTACHMENT 1

President: Douglas S. Wright, Mayor, Topeka * Vice President: Irene B. French, Mayor, Merriam * Past President: Carl Dean Holmes, Mayor, Plains
 * Directors: Margo Boulanger, Mayor, Sedan * Nancy R. Denning, Commissioner, Manhattan * Ed Eiert, Mayor, Overland Park * Greg Ferris, Councilmember, Wichita * Frances J. Garcia, Commissioner, Hutchinson * William J. Goering, City Clerk/Administrator, McPherson * Jesse Jackson, Commissioner, Chanute * Richard U. Nienstedt, City Manager, Concordia * David E. Retter, City Attorney, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Commissioner, Garden City * Executive Director: E.A. Mosher



KANSAS
ASSOCIATION

OF
SCHOOL
BOARDS

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

Testimony on HB 2078
before the
House Pensions, Investments and Benefits Committee

by

John W. Koepke, Executive Director
Kansas Association of School Boards

February 15, 1989

Mr. Chairman and members of the Committee, the Kansas Association of School Boards, which represents 301 of the 304 unified school district boards of education, would like to express its support for H.B. 2078. However, we believe that this modest expansion of the investment authority of public bodies does not go far enough.

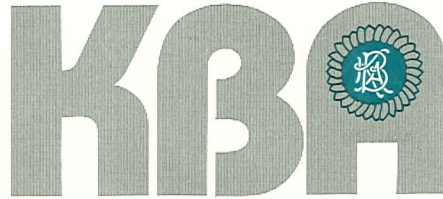
We would like to suggest that H.B. 2078 be amended to eliminate the restrictions which limit public bodies use of the authorized investment vehicles to financial institutions within their boundaries or in certain limited circumstances, to neighboring counties.

We believe that public bodies should be able to invest their idle funds in any authorized financial institution within the state of Kansas. Our Delegate Assembly adopted a policy at its most recent meeting in December of 1988 asking us to seek this authority from the 1989 session of the Kansas Legislature. H.B. 2078 would seem the most logical vehicle for considering this change.

HOUSE PENSIONS, INVESTMENTS AND BENEFITS COMM.
2-15-89
ATTACHMENT 2

School boards across this state are coming under increasing pressure from patrons and the legislature to maximize the utilization of their fiscal resources. We believe it is time to consider a change in an anachronistic and parochial state policy regarding public funds investment. Nearly half of the funds handled by local boards of education are not locally collected, but are the result of state and federal assistance. Most local school boards would undoubtedly continue to invest their idle funds in local institutions. However, the potential for greater competition for those funds would give them the opportunity to negotiate a more favorable rate of return on their investment, thereby reducing the burden on local taxpayers.

We would appreciate your consideration of this proposed amendment to H.B. 2078 and I would be happy to attempt to answer any questions about our proposal.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 15, 1989

TO: House Committee on Pensions, Investments and Benefits
FROM: James S. Maag, Kansas Bankers Association
RE: HB 2078 - Investment of Public Moneys

Mr. Chairman and Members of the Committee:

The KBA appreciates the opportunity to discuss HB 2078 with the Committee. The bill would amend K.S.A. 12-1675 to allow local units of government to invest idle funds in U.S. Treasury bills or notes for an unspecified length of time. Currently the law restricts such Treasury investments to a period of six months or less.

This public funds investment statute was first enacted in 1968 and while there have been a number of adjustments to it over the years the same basic legislative philosophy has prevailed for the past two decades. That philosophy is that: (1) idle funds investments should be made in a prudent manner; (2) such funds should be placed in safe depositories with adequate pledging; and (3) such funds should not be placed in long term investments because that would indicate local units were extracting tax revenues too far in advance of their actual need.

The current law gives local units substantial flexibility for investing their idle funds at a fair and reasonable rate. There are four different methods of investment ranging from no-fund warrants to CDs to repurchase agreements and Treasury bills and notes. There are additional provisions that if the banks and S&Ls within the local unit's boundaries are unwilling to pay at least the 91-day Treasury bill rate for the funds then the local unit can place bids with institutions in adjacent counties.

If there is, in fact, a desire on the part of local units for long-term investments would it not be more appropriate for the Legislature to be considering a change in the tax payment periods rather than extending the investment periods? Would a quarterly tax payment system be a more equitable way of allowing taxpayers to retain their tax dollars for as long

as possible? A revisiting of the present tax collection structure would seem to be necessary before any lengthening of the investment time for local units is granted.

It is important to remember also that every tax dollar invested in Treasury bills or notes rather than certificates of deposit in a local financial institution means that much less money available for loans and other investments in the community. Is it better to have those tax dollars going to Washington or remaining in the local community where it could be beneficial to agriculture and industry and in turn generate additional income for the community?

Again we would emphasize that the current public funds investment laws have worked well for many years and we can see no positive benefit which could accrue for taxpayers, farmers, businessman and others in Kansas communities if HB 2078 is passed. Therefore, we would recommend that the bill be reported adversely. Thank you for allowing us to express our views.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 15, 1989

TO: House Committee on Pensions, Investments and Benefits
FROM: James S. Maag, Kansas Bankers Association
RE: Proposed KASB amendment

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the proposed KASB amendment with the Committee. This amendment would dramatically change the philosophy of local public funds investment which has existed for many years.

The Legislature has long maintained the philosophy that local tax revenues should remain in the community where those taxes were imposed. Thus in K.S.A. 9-1401 and 12-1675 the requirements are set forth that local units must establish accounts and make investments with banks and S&Ls within the local unit's boundaries. There are additional provisions which allow the local unit to use, under certain circumstances, banks or S&Ls within the county or counties where the local unit is located. These requirements are designed to maximize the use of the locally raised tax dollars in that community by allowing the financial institutions to make loans or invest in other assets such as locally issued bonds. Such actions, in turn, have a positive economic impact on the community.

By allowing school boards to invest their idle funds in financial institutions anywhere in the state, it will have the impact of moving significant amounts of tax dollars from the communities of origin to money center institutions in the urban communities. This could result in millions of dollars being lost by rural banks involved in agricultural lending. It also creates a "bidding war" atmosphere which can only have the result of driving up interest rates paid by Kansas farmers and businessmen. In addition, there have been many instances in recent years where the highest rates paid by financial institutions have been by those institutions with the least capital stability.

We therefore strongly oppose the proposed amendment which would sacrifice a very positive, workable investment structure for one which would create problems throughout the state of Kansas. Thank you again for the opportunity to speak on this vital issue.

KLSI Kansas League of Savings Institutions

JAMES R. TURNER, President • Suite 512 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

February 15, 1989

TO: HOUSE COMMITTEE ON PENSIONS AND INVESTMENTS

FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS

RE: H.B. 2148 (STATE FEE AGENCY ACCOUNTS)

The Kansas League of Savings Institutions appreciates the opportunity to appear before the House Committee on Pensions and Investments in support of the passage of House Bill No. 2148 which would allow savings and loan institutions to bid on State fee agency accounts. This bill was introduced by the House Committee on Commercial and Financial Institutions at the request of the League.

The bill amends Chapter 75 pertaining to state moneys to allow Federally-chartered savings banks and federally and state-chartered savings and loan associations to participate as depository for State fee agency accounts as well as amending the statute to include the Federal Home Loan Bank of Topeka as a safekeeping depository for pledged securities. We have attached a list of the present fee agency accounts within the State.....all of which are with commercial banks.

The passage of H.B. 2148 would end a discriminatory practice.....often referred to as "divine right".....whereby fee agency accounts are held only by commercial banks. In 1986 the Legislature amended the local public fund statutes to allow for competitive bidding for city, county, and school district funds among banks and savings and loans. The rules were the same..... all accounts above the federally insured level would have to be secured by the pledge of acceptable securities at market value held in safekeeping according to statute. The same requirements are contained in H.B. 2148.

The process at the local level has worked well. There were unfounded claims that S&Ls "would drain all the local funds from area banks" in 1986. This has not occurred. There have been shifts but the bulk of the local public funds remain in commercial banks. What did occur was an improved yield on the idle funds of the cities, counties, and school districts as a result of competitive bidding.

HOUSE PENSIONS, INVESTMENTS AND BENEFITS
 2-15-89
 ATTACHMENT 5



House Committee on Pensions and Investments
February 15, 1989
Page 2

We would anticipate that some of the same arguments and smoke screens will be used in opposition to H.B. 2148. The real issue is whether the present discriminatory practice will be continued. We feel that the Kansas savings and loan associations should be allowed to make their facilities, services, and rates available on a competitive basis, in compliance with the same rules applicable to commercial banks, to the State fee agencies.

Accordingly, we would request that the House Committee on Pensions and Investments report H.B. 2148 favorably for passage.

James R. Turner, President
Kansas League of Savings Institutions

JRT:bw

Encl.

ATCHISON COUNTY

Board of Examiners in Optometry
 Dept. of Rev. Dr. License Exam Fee Acct.
 S R S Fee Fund
 Youth Center at Atchison Fee Acct.

Exchange National Bank, Atchison
 Valley State Bank, Atchison
 Valley State Bank, Atchison
 Valley State Bank, Atchison

BARBER COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.
 K H P, Motor Carrier Inspec. #31 Fee Acct.

First National Bank, Medicine Lodge
 First State Bank, Kiowa

BARTON COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.
 Ks. Lottery Fee Acct.

First National Bank, Great Bend
 American State Bank, Great Bend

BOURBON COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.
 K H P, Motor Carrier Inspec. Fee Acct.

Citizens National Bank, Fort Scott
 Citizens National Bank, Fort Scott

BROWN COUNTY

S R S Fee Fund
 K H P, Motor Carrier Inspec. Fee Acct.

Citizens Bank & Tr., Hiawatha
 Morrill & Janes Bank, Hiawatha

BUTLER COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.
 S R S Fee Fund
 Wildlife & Parks, ElDorado State Park

National Bank of El Dorado
 First National Bank, El Dorado
 National Bank of El Dorado

CHEROKEE COUNTY

K H P, Motor Carrier Inspec. Fee Acct.

American National Bank, Baxter Springs

CLOUD COUNTY

Wildlife & Parks Fee Acct.
 Dept. of Rev. Dr. License Exam Fee Acct.
 S R S Fee Fund

First Bank & Tr., Concordia
 Cloud County Bank, Concordia
 First Bank & Tr., Concordia

COFFEY COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.

Peoples National Bank, Burlington

COWLEY COUNTY

S R S Fee Fund
Winfield State Hospital Fee Fund

First National Bank, Winfield
State Bank, Winfield

CRAWFORD COUNTY

Mined Land Cons. & Reclam Bd. Fee Acct.
Wildlife & Parks, Crawford State Park
Pittsburg State University Fee Acct.
Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund

Bank IV, Pittsburg
Girard National Bank, Girard
Bank IV, Pittsburg
City National Bank, Pittsburg
First State Bank, Pittsburg

DECATUR COUNTY

K H P, Motor Carrier Inspec. Fee Acct.

Farmers National Bank, Oberlin

DICKINSON COUNTY

S R S Fee Fund

First National Bank, Abilene

DOUGLAS COUNTY

Wildlife & Parks, Clinton State Park
Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund
University of Kansas Fee Acct.

Bank of Ks/Lawrence
First National Bank, Lawrence
First National Bank, Lawrence
Bank of Ks/Lawrence

ELLIS COUNTY

Wildlife & Parks Fee Acct.
Ft. Hays State University Fee Acct.
KSU - Ft. Hays Experiment Station Fee Acct.
Wildlife & Parks, Cedar Bluff State Park
Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund
KU Med Center NW Ks. Area Health Care Fund

Farmers State Bank, Hays
First National Bank, Hays
Farmers State Bank, Hays
Ellis State Bank, Ellis
Farmers State Bank, Hays
First National Bank, Hays
Farmers State Bank, Hays

ELLSWORTH COUNTY

Ellsworth Corr. Facility Fee Acct.

Citizens State Bank, Ellsworth

FINNEY COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.
KSU Garden City Experiment Station Fee Fund
KU Med Ctr., SW Area Health Educ. Ctr. Fee Fd.
S R S Fee Fund

Western State Bank, Garden City
Garden National Bank, Garden City
Western State Bank, Garden City
Western State Bank, Garden City

FORD COUNTY

Wildlife & Parks Fee Acct.
S R S Fee Fund
Ks. Soldiers Home Fee Fund
Dept. of Rev. Dr. License Exam Fee Acct.

Fidelity State Bank, Dodge City
Fidelity State Bank, Dodge City
Bank of the Southwest, Dodge City
Fidelity State Bank, Dodge City

FRANKLIN COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund

First National Bank, Ottawa
Kansas State Bank, Ottawa

GEARY COUNTY

Wildlife & Parks, Milford State Park
Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund

First National Bank, Junction City
Central National Bank, Junction City
First State Bank, Junction City

HARVEY COUNTY

S R S Fee Fund

First Bank, Newton

HODGEMAN COUNTY

Abstracters Bd. of Exam. Fee Fund

Farmers State Bank, Jetmore

JEFFERSON COUNTY

Wildlife & Parks, Perry State Park

Bank of Perry

JOHNSON COUNTY

School for the Deaf Fee Fund
Wildlife & Parks Fee Fund
K H P, Motor Carrier Inspec. Fee Acct. #23W
K H P, Motor Carrier Inspec. Fee Acct. #24W
Ks. Lottery Fee Acct.
Univ. of Ks. Regents Center Library
S R S Fee Fund
Dept. of Rev. Dr. License Exam Fee Acct.

First National Bank, Olathe
Citizens Bank & Tr., Shawnee
Olathe State Bank, Olathe
Olathe State Bank, Olathe
Metcalf State Bank, Overland Park
First Continental Bank, Overland Park
Bank IV, Olathe
Country Hill State Bank, Lenexa

LABETTE COUNTY

KSU, SE Ks. Experiment Station Fee Fund
K H P, Motor Carrier Inspec. Fee Acct.
S R S Fee Fund
Parsons State Hospital Fee Acct.

Parsons Commercial Bank, Parsons
Chetopa State Bank, Chetopa
Parsons Commercial Bank, Parsons
Parsons Commercial Bank, Parsons

LEAVENWORTH COUNTY

Ks. Corr. Institution at Lansing Fee Acct.
Ks. State Penitentiary Fee Fund
Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund

Manufacturers State Bank, Leavenworth
First State Bank, Lansing
Manufacturers State Bank, Leavenworth
First National Bank, Leavenworth

LINN COUNTY

Wildlife & Parks, Marais DesCygne Wildlife

Bank of Pleasanton

LYON COUNTY

Emporia State University Fee Acct.
Wildlife & Parks Fee Acct.
Dept. of Rev. Dr. License Exam Fee Acct.
S R S Fee Fund

Lyon County State Bank, Emporia
Bank IV, Emporia
Lyon County State Bank, Emporia
Emporia State Bank, Emporia

MARSHALL COUNTY

K H P, Motor Carrier Inspec. Fee Acct.

Citizens State Bank, Marysville

McPHERSON COUNTY

Wildlife & Parks, Kanopolis State Park
Dept. of Rev. Dr. License Exam Fee Fund

Marquette Farmers Bank, Marquette
McPherson Bank & Tr., McPherson

MEADE COUNTY

Wildlife & Parks, Meade State Park

First National Bank, Meade, Garden City

MIAMI COUNTY

Osawatomie State Hospital Fee Fund
S R S Fee Fund

American State Bank, Osawatomie
American State Bank, Osawatomie

MITCHELL COUNTY

Wildlife & Parks, Glen Elder State Park
Youth Center at Beloit Fee Fund

Traders State Bank, Glen Elder
First National Bank, Beloit

MONTGOMERY COUNTY

Wildlife & Parks, Elk City State Park
K H P, Motor Carrier Inspec. Fee Acct.
Dept. of Rev. Dr. License Exam Fee Fund
S R S Fee Fund
K H P, Motor Carrier Inspec. Fee Acct.

Citizens National Bank, Independence
Bank IV, Coffeyville
Citizens National Bank, Independence
Citadel Bank of Independence
Caney Valley National Bank, Caney

MORTON COUNTY

K H P, Motor Carrier Inspec. Fee Acct.

First State Bank, Elkhart

NEMAHA COUNTY

Dept. of Rev. Dr. License Exam Fee Fund
K H P, Motor Carrier Inspec. Fee Fund

Farmers State Bank, Sabetha
Morrill State Bank, Sabetha

NEOSHO COUNTY

Wildlife & Parks Fee Fund
Dept. of Rev. Dr. License Exam Fee Fund
KU Med Ctr SE Area Health Ed Ctr. Fee Fund

Bank of Commerce, Chanute
Bank of Commerce, Chanute
Bank of Commerce, Chanute

NORTON COUNTY

Wildlife & Parks, Prairie Dog State Park
K H P, Motor Carrier Inspec. Fee Fund

First Security Bank, Norton
First State Bank, Norton

OSAGE COUNTY

Wildlife & Parks, Melvern State Park
Wildlife & Parks, Pomona State Park

Lyndon State Bank, Lyndon
Lyndon State Bank, Lyndon

PAWNEE COUNTY

Larned State Hospital Fee Acct.
Dept. of Rev., Dr. License Exam Fee Fund

First State Bank, Larned
First National Bank, Larned

PHILLIPS COUNTY

Dept. of Rev. Dr. License Exam Fee Fund
K H P, Motor Carrier Inspec. Fee Fund

First National Bank, Phillipsburg
Farmers National Bank, Agra

POTTAWATOMIE COUNTY

S R S Fee Fund

First National Bank, Wamego

PRATT COUNTY

Wildlife & Parks Fee Fund
Wildlife & Parks Boating Permit Fee
S R S Fee Fund

Peoples Bank, Pratt
Peoples Bank, Pratt
Peoples Bank, Pratt

RENO COUNTY

Ks. St. Industrial Reformatory Fee Fund
Kansas State Fair Fee Fund
Kansas State Fair Special Cash Fund
Kansas State Fair Non-Fair Days Events
Hutch. Correctional Work Facility Fee Fund
Dept. of Rev. Dr. License Exam Fee Fund
Wildlife & Parks, Cheney State Park
S R S Fee Fund

Hutchinson National Bank, Hutchinson
Hutchinson National Bank, Hutchinson
Hutchinson National Bank, Hutchinson
First National Bank, Hutchinson
Central Bank & Tr., Hutchinson
Central Bank & Tr., Hutchinson
Haven State Bank, Haven
First National Bank, Hutchinson

REPUBLIC COUNTY

K H P, Motor Carrier Inspec. Fee Fund
Wildlife & Parks, Lovewell State Park

First National Bank, Belleville
Swedish-American State Bank, Courtland

RILEY COUNTY

Kansas State University Fee Fund
Wildlife & Parks, Tuttle Creek State Park
Kansas Wheat Commission Fee Fund
Dept. of Rev. Dr. License Exam Fee Fund
S R S Fee Fund

Union National Bank, Manhattan
Union National Bank, Manhattan
Kansas State Bank, Manhattan
Union National Bank, Manhattan
Union National Bank, Manhattan

ROOKS COUNTY

Wildlife & Parks, Webster State Park

Stockton National Bank, Stockton

RUSSELL COUNTY

Dept. of Rev. Dr. License Exam Fee Fund
Wildlife & Parks, Wilson State Park

First National Bank, Russell (Salina)
Farmers State Bank, Lucas

SALINE COUNTY

Ks. College of Technology Fee Fund
S R S Vocational Rehab. Fee Fund
Dept. of Rev. Dr. License Exam Fee Fund
S R S Fee Fund

National Bank of America, Salina
First Bank & Trust, Salina
Bank IV, Salina
National Bank of America, Salina

SCOTT COUNTY

Wildlife & Parks, Scott State Park
Dept. of Rev. Dr. License Exam Fee Fund

First National Bank, Scott City
Security State Bank, Scott City

SEDGWICK COUNTY

Ks. Corporation Comm. Conservation Div. Acct.
Ks. Lottery Fee Acct.
S R S Fee Fund
Wichita State University Fee Acct.
Wildlife & Parks Fee Acct.

First National Bank, Wichita
Bank IV, Wichita
Southwest National Bank, Wichita
Bank IV, Wichita
Arkansas Valley State Bank, Valley Cente

SEWARD COUNTY

K H P Motor Carrier Inspec. Fee Acct. #37
K H P Motor Carrier Inspec. Fee Acct. #37A
Dept. of Rev. Dr. License Exam Fee Fund
S R S Fee Fund

Citizens State Bank, Liberal
Citizens State Bank, Liberal
First Ntional Bank, Liberal
Peoples National Bank, Liberal

SHAWNEE COUNTY

Wildlife & Parks Fee Fund
Dept. of Rev. Dr. License Exam Fee Acct.
Dept. of Rev. Motor Carrier Fee Acct.
Dept. of Commerce Fee Acct.

Fidelity Bank, Topeka
Commerce Bank, Topeka
Commerce Bank, Topeka
Merchants National Bank, Topeka

SMITH COUNTY

K H P Motor Carrier Inspec. Fee Acct.

First National Bank, Lebanon

SUMNER COUNTY

K H P Motor Carrier Inspec. Fee Acct.
Dept. of Rev. Dr. License Exam Fee Acct.

Caldwell State Bank, Caldwell
Security State Bank, Wellington

THOMAS COUNTY

Dept. of Rev. Dr. License Exam Fee Acct.

Thomas County National Bank, Colby

WABAUNSEE COUNTY

K H P Motor Carrier Inspec. Fee Acct. #21W
K H P Motor Carrier Inspec. Fee Acct. #22W

First National Bank, Alma
First National Bank, Alma

WOODSON COUNTY

Wildlife & Parks, Fall River-Toronto State Park

First National Bank, Toronto

WYANDOTTE COUNTY

Rainbow Mental Health Fac. Fee Acct.
K H P Motor Carrier Inspec. Fee Acct.
Dept. of Rev. Dr. License Exam Fee Acct.
School for the Visually Handicapped Fee Acct.
S R S Fee Fund
K U Med Center Fee Acct.

First State Bank, Kansas City
Guaranty Bank, Kansas City
Brotherhood Bank, Kansas City
Guaranty Bank, Kansas City
Douglass Bank, Kansas City
Douglass Bank, Kansas City



FirstBank

First Savings Bank, F.S.B.

February 15, 1989

I am Charles Hostetler, Chairman of the Board of Directors of First Savings Bank, Manhattan. My purpose in being here this morning is to speak in favor of House Bill 2148.

In October of 1986 our institution changed its charter from a National Bank to a Federal Savings Bank. We changed no personnel, our strong capital position remained the same, and our philosophy of business did not change. Prior to our conversion, we were an aggressive bidder for state funds. FirstBank offered attractive rates of return and favorable servicing fees.

After our conversion to a Federal Savings Bank we were no longer permitted to bid on state funds. Nothing had changed about our institution except our charter. I believe this is a situation that is not only unfair to us, but also to the State of Kansas since it no longer has the benefit of an aggressive bidder for its accounts.

Our institution, like any bidder for state accounts, would fully collateralize the funds placed in our institution. We would do this with U.S. Treasury or U.S. Agency obligations pledged to the State of Kansas and held at the Federal Reserve Bank in Kansas City. This procedure safeguards the state's moneys, and would be the same regardless of the charter of the depository.

Finally, let me mention one other area that is noteworthy. We are an active lender in the communities we serve. We have offices in Manhattan, Lawrence and Junction City. During 1988 alone we originated over \$50 million in loans for our customers.

You will find us to be representative of the Kansas thrift institutions which are serving Kansans well by investing in Kansas communities.

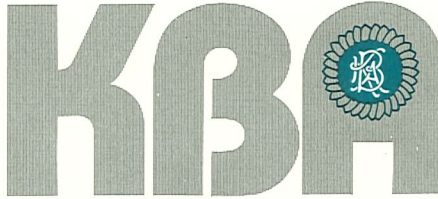
I feel that Kansas is the winner if this bill passes. It allows more bidders for state funds which will allow the bids to be more competitive. It provides for safety of the state's funds and it provides additional opportunity for savings institutions to continue to serve Kansas communities by investing in loans in Kansas.

Thank you for this opportunity to appear before your committee.

HOUSE PENSIONS, INVESTMENTS AND BENEFITS

2-15-89

ATTACHMENT 6



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 15, 1989

TO: House Committee on Pensions, Investments and Benefits
FROM: James S. Maag, Kansas Bankers Association
RE: HB 2148 - State Fee Agency Accounts

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to address the Committee on the provisions of HB 2148 which would amend existing state law to allow savings banks and savings and loan associations to serve as depositories for fee accounts of state agencies. The KBA does not believe it would be prudent state policy to adopt such a change at this time.

The fee agency statute (K.S.A. 75-4214) has been in existence for more than 20 years and has served state government well. For fee accounts with average daily balances of more than \$10,000 the Pooled Money Investment Board designates one or more banks in the county where the state agency is located to be the depositories for those accounts. For accounts with less than \$10,000 in average daily balances the state agency itself (with Board approval) may select the bank or banks for the accounts. There are currently about 160 fee accounts with an estimated average daily balance of between \$4 and \$5 million. However, the great majority of these accounts have much smaller daily balances, but the balances in the seven Regents accounts pull the statewide averages into the \$4-5 million range. The compensating balances and the service arrangements are determined by bids with the PMIB on the Regents accounts and with the state agencies on the smaller accounts. As stated above, the law has functioned well over the years for all parties concerned.

Everyone is well aware of the current problems facing the savings and loan industry and of President Bush's plan to correct these problems. The President's plan would involve significant changes in the capital and regulatory standards for S&Ls which would bring them to levels currently required of banks. Until such time as there is a clearer indication of how Congress and the President will resolve these matters for the S&L industry, we do not believe the Legislature should consider changes in the eligibility for state accounts. The KBA would, therefore, respectfully request that HB 2148 be reported adversely.

We appreciate the Committee's willingness to listen to our concerns about this important state issue.

*HOUSE PENSIONS INVESTMENTS AND BENEFITS
2-15-89
ATTACHMENT 7*