

Approved MARCH 22, 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by Chairman Vern Williams at
Chairperson

7:48 a.m./~~p.m.~~ on February 20, 1990 in room 531N of the Capitol.

All members were present except:

Rep. Barbara Allen (Excused) Rep. Elaine Wells (Excused)
Rep. Don Rezac (Excused)
Rep. Robert Watson (Excused)

Committee staff present:

Richard Ryan, Legislative Research
Alan Conroy, Legislative Research
Mary Meier, Committee Secretary

Conferees appearing before the committee:

Bill Curtis, Kansas Association of School Boards
Craig Grant, KNEA
Chuck Stuart, United School Administrators
Charles Dodson, KAPE
Jim Turner, Kansas-Nebraska League of Savings Institutions
Lt. Bill Jacobs, Kansas Highway Patrol
Jim Maag, KBA
Marshall Crowther, KPERS
Jack Hawn, KPERS

Chairman Williams opened the meeting by reviewing briefly for the benefit of those new to the Committee, the issue of abuse of final average pay provisions in retirement systems, commonly called "padding", "ballooning", or "pyramiding" of the earnings that are used in the final computation of retirement benefits.

Chairman Williams then opened the hearing on HB2956.

Chairman Williams introduced Bill Curtis, Assistant Executive Director, Kansas Association of School Boards, who offered oral and written testimony (Attachment 1) on behalf of 302 member school districts in support of HB2956. He stressed that his organization does not condone the practice of padding for the benefit of school administrators, and that the practice does not agree with the spirit and intent of the legislature.

Chairman Williams welcomed Craig Grant, KNEA, who offered brief oral and written testimony (Attachment 2) in support of HB2956, citing someone who might have been paid \$150,000 in a 3-year contract, may have received \$20,000 two of those years and the last year \$110,000. When averaging the \$110,000 with the years previous, the final average is quite high and not the practice the legislature intended. He feels the provisions of HB2956 are fair to all. Mr. Grant also advocated the change of final average salary to three years rather than four, by adding this provision to HB2956.

Chairman Williams welcomed Chuck Stuart, United School Administrators, to the committee. Mr. Stuart expressed his organization's concern about the final average salary, noting that it might be possible for a person to legitimately have a higher rate than 125%, for example a person 62 years of age taking a superintendency and after one year retiring. That would be an exception. He would not condone adding in bonuses, sick leave time, etc. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 531N, Statehouse, at 7:48 a.m. ~~pm~~ on February 20, 1990

Chairman Williams welcomed Charles Dodson, Kansas Association of Public Employees, who offered oral and written testimony (Attachment 4) in opposition to HB2956. He stated that certain circumstances create situations when, in order to compete with the private sector in securing new employees, starting salaries may jump as high as 40-50% through reclassification to meet market conditions. He urged the committee to address directly any existing loophole which allows for manipulation of the system and to avoid making restrictive adjustments that could impact unfairly on any member of the system.

Rep. Sader asked about existing precedents whereupon Mr. Dodson said that contractual benefits could not be deleted without providing similar benefits.

Rep. Sader then asked if Mr. Dodson could provide amending type of language for the exclusion of certain state employees. Mr. Dodson replied that language addressing personal contracts would be more appropriate.

Chairman Williams announced that there were others who wanted to appear to testify on this bill but they are out of state today so this hearing will be continued to next week and there will be a notice.

Rep. Williams announced the hearing of HB2958. There were no conferees supporting or opposing the bill. Lt. Bill Jacobs, Kansas Highway Patrol, spoke briefly in favor of HB2958 but asked that a 3-6 month option be extended for those who did not understand the earlier option provisions.

Chairman Williams declared the hearing on HB2958 closed.

Chairman Williams then announced opening of hearing on HB2950. He welcomed Jim Turner, Kansas-Nebraska League of Savings Institutions, who gave oral and written testimony (Attachment 5) in support of HB2950. His organization feels that the option of bidding on state fee agency accounts should be available to savings and loan associations; that the practice of not doing so is discriminatory since savings and loans are now insured under FDIC.

Chairman Williams introduced Jim Maag, KBA, who offered oral and written testimony (Attachment 6) expressing certain reservations about HB2950 in its present form, with concerns about capitalization of savings and loans, urging that they meet certain capitalization minimums.

Discussion followed about minimum capitalization standards for savings and loans as compared to banks.

Chairman Williams declared the hearing on HB2950 closed.

Chairman Williams announced that Rep. Wisdom wanted committee approval to introduce 3 bills as committee bills. Rep. Wisdom briefly described the bills as 1) Regarding lump sum death benefits concerning basically the old KC teachers; 2) in regard to disability benefits whereby we would be restructuring the disability payments of when an individual reaches 65 years and revert to a different standard and 3) the old KC teachers have a security offset reduction they want done away with. Rep. Wilbert made a **MOTION** that the bills be introduced as Committee bills. Rep. Shallenburger **SECONDED** the motion. Motion carried unanimously.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 531N, Statehouse, at 7:48 a.m./~~p.m.~~ on February 20, 1990

Minutes of the meeting of February 14, 1990 were approved,
subject to a grammatical correction noted by Rep. Sader.

The meeting adjourned at 8:35 a.m.



Rep. Vernon L. "Vern" Williams
Chairman

Resolutions of the Kansas Association of School Boards

As Adopted by the KASB Delegate Assembly

December 9, 1989

(All KASB Resolutions expire in one year after adoption by the Delegate Assembly.)

3. KPERS Concern

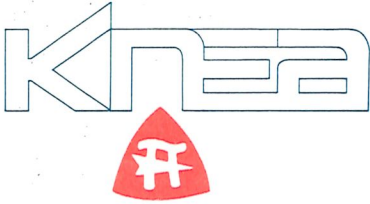
WHEREAS recent sessions of the Kansas Legislature have made significant improvements in retirement benefits for school employees covered under the Kansas Public Employees Retirement System; and

WHEREAS the Kansas Association of School Boards is grateful to the Legislature for addressing concerns of the association regarding problems which were created by the passing of recent KPERS legislation; and

WHEREAS concerns are now being expressed by legislators about attempts by some school boards and school employees to evade the intent of some retirement law provisions;

NOW, THEREFORE BE IT RESOLVED that the Delegate Assembly of the Kansas Association of School Boards expresses its concern that the intent of the retirement laws be followed; and

BE IT FURTHER RESOLVED that the Association will work with the 1990 session of the Kansas Legislature to tighten provisions in the retirement laws which have caused these concerns.



Craig Grant Testimony Before The
House Pensions, Investments &
Benefits Committee
Tuesday, February 20, 1990

Thank you, Mr. Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this opportunity to speak to the committee on HB 2956.

Kansas-NEA supports the concepts in HB 2956. One would think that this bill would have been unnecessary; however, some "creative" personnel used the system to benefit their retirement by deferring salary until the final year before retirement. This provision is lenient enough to allow school personnel to receive pay for unused sick leave and count that toward retirement. We think the provisions of HB 2956 are fair to all and keep people from taking advantage of the system.

I would be remiss, Mr. Chairman, if I did not remind the committee that this bill would be a perfect vehicle to change the final average salary to three years rather than four as our legislative proposal suggests. Maybe this and other changes would keep some from thinking of these "creative" ideas to get a decent retirement.

We do support HB 2956 and would request favorable action on the bill. Thank you for listening to our concerns.

ATTACHMENT 2

2-20-90



HB 2956

Testimony presented before the House Committee
on Pensions, Investments, and Benefits
by Charles L. "Chuck" Stuart, Legislative Liaison
United School Administrators of Kansas

Tuesday, February 20, 1990

Mister Chairman and members of the committee:

United School Administrators of Kansas believes that any school employee who manipulates a final salary beyond the 125% threshold is in violation of the spirit of the KPERS plan for determining final average salary. We might add that any employer agreeing to such manipulation is likewise suspect.

USA feels such actions are not in the best interest of KPERS members. We, therefore, support HB 2956 if amended to take into account an employee whose final salary reflects a change in responsibility.

CLS/ed

ATTACHMENT 3
2-20-90



Presentation to
Committee on Pensions, Investments and Benefits
by
Charles Dodson
Kansas Association of Public Employees

Mr. Chairman, members of the Committee, thank you for this opportunity to appear in opposition to HB 2956.

This bill creates problems for state employees because of the way the state compensation program is managed. The annual salary increases given to state employees rarely keeps up with the salary increases awarded in the private sector. This allows the state to save money along the way. However, it eventually causes a problem for the state when they find that starting salaries are so far behind the private sector that they can no longer attract qualified applicants.

The reaction at that point is to do some reclassification. Many of you may be familiar with the reclassification program currently underway. During this process, starting salaries may jump as high as 40 to 50 percent. Ordinarily the provisions of this bill would not impact on state employees, because most of this increase goes to new workers only. But, there are instances where a newly promoted employee would receive a large increase and the provisions of this bill would prevent that employee from receiving a retirement benefit that the employee had earned and deserved.

It would be our position that as long as this bill did not impact on any employee then no harm has been done. If, however, an employee is penalized because circumstances beyond his or her control, caused them to lose even a small part of their earned and deserved pension, then the precedents established in Singer and in Brazelton would apply.

If it is your judgment that a loophole exists which allows some manipulation of the system, then we would urge you to address that loophole directly and avoid making restrictive adjustments that could impact any member of the system unfairly.

Thank you for allowing me this time, I will be happy to attempt to answer any questions you may have for me.

ATTACHMENT 4
2-20-90





James R. Turner, President

Suite 512
700 Kansas Avenue
Topeka, Kansas 66603
(913) 232-8215

February 20, 1990

TO: HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS
FROM: JIM TURNER
RE: H.B. 2950 (STATE FEE AGENCY ACCOUNTS)

The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the House Committee on Pensions, Investments and Benefits, in support of the passage of House Bill No. 2950 which would allow savings and loan institutions to bid on State fee agency accounts.

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 safe-keeping depository for pledged securities. We have attached a list of the present fee agency accounts within the State, as of October, 1989, all of which are with commercial banks.

The passage of H.B. 2950 would end a discriminatory practice whereby fee agency accounts are held only by commercial banks. In 1982 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 safe-keeping according to statute. The same requirements are contained in H.B. 2950.

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 1982. 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.

ATTACHMENT 5
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House Committee on Pensions, Investments and Benefits
February 20, 1990
Page 2

We would anticipate that some of the same arguments will be used in opposition on H.B. 2950. 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.

Further, we would point out that as of August, 1989, all accounts at savings and loans and commercial banks are now insured under the Federal Deposit Insurance Corporation (FDIC).

Accordingly, we would request that the House Committee on Pensions, Investments and Benefits, report H.B. 2950 favorably for passage.

James R. Turner, President
Kansas-Nebraska League of Savings Institutions

JRT:bw

Encl.

FEE ACCOUNTS

Atchison County:

Atchison
Valley State Bank
S. R. S. Fee
Dept. of Rev., Dr. License Exam Dist #5 Fee
Youth Center at Atchison Fee

Barber County:

Kiowa
First State Bank
KHP, Motor Carrier Inspection #31 Fee
Medicine Lodge
First National Bank
Dept. of Rev., Dr. License Exam Dist #34 Fee

Barton County:

Great Bend
American State Bank
Kansas Lottery Fee
First National Bank
Dept. of Rev., Dr. License Exam Dist #29 Fee

Bourbon County:

Fort Scott
Citizens National Bank
KHP, Motor Carrier Inspection #14 Fee
Dept. of Rev., Dr. License Exam Dist #11 Fee

Brown County:

Hiawatha
Morrill & Janes Bank
KHP, Motor Carrier Inspection #65 Fee
Citizens Bank & Trust
S. R. S. Fee

Butler County:

El Dorado
Bank IV Butler County, N. A., El Dorado
S. R. S. Fee
National Bank of El Dorado
Wildlife & Parks, El Dorado State Park Fee
Dept. of Rev., Dr. License Exam Dist #20 Fee
Walnut Valley Bank
Dept. of Corr., El Dorado Honor Camp Fee

Cherokee County:

Baxter Springs
American National Bank
KHP, Motor Carrier Inspection #17A Fee

Cloud County:

Concordia
Cloud County Bank
Dept. of Rev., Dr. License Exam Dist #27 Fee
First Bank & Trust
S. R. S. Fee

Coffey County:

Burlington
Peoples National Bank
Dept. of Rev., Dr. License Exam Dist #15 Fee

Cowley County:

Winfield
First National Bank
S. R. S. Fee
The State Bank
Winfield State Hospital Fee
Winfield Correctional Facility Fee

Crawford County:

Girard
Girard National Bank
Wildlife & Parks, Lake Crawford State Park Fee
Pittsburg
Bank IV Pittsburg
Dept. of Health & Environment Mined Land Cons. Fee
Pittsburg State University Fee
City National Bank
Dept. of Rev., Dr. License Exam Dist #1 Fee
First State Bank
S. R. S. Fee

Dickinson County:

Abilene
First National Bank
S. R. S. Fee

Douglas County:

Lawrence

The Bank of Kansas/Lawrence
Wildlife & Parks, Clinton State Park Fee
University of Kansas Fee
First National Bank
S. R. S. Fee
Dept. of Rev., Dr. License Exam Dist #6 Fee

Ellis County:

Ellis

Ellis State Bank
Wildlife & Parks, Cedar Bluff State Park Fee

Hays

Farmers State Bank
KU Med Ctr., NW Area Health Education Ctr. Fee
Wildlife & Parks, Hays Regional Office Fee
Dept. of Rev., Dr. License Exam Dist #32 Fee
KSU, Ft. Hays Experiment Station Fee
Emprise Bank, N. A.
S. R. S. Fee
Ft. Hays State University Fee

Ellsworth County:

Ellsworth

Citizens State Bank
Ellsworth Correctional Facility Fee

Finney County:

Garden City

Garden National Bank
KSU, SW Ks. Experiment Station Fee
Western State Bank
S. R. S. Fee
Dept. of Rev., Dr. License Exam Dist #37 Fee
KU Med Ctr., SW Area Health Education Ctr. Fee

Ford County:

Dodge City

Bank of the Southwest
Kansas Soldiers Home Fee
Fidelity State Bank
Wildlife & Parks, S. W. Regional Office Fee
S. R. S. Fee
Dept. of Rev., Dr. License Exam Dist #35 Fee

Franklin County:

Ottawa

First National Bank
Dept. of Rev., Dr. License Exam Dist #10 Fee
Kansas State Bank
S. R. S. Fee

Geary County:

Junction City

Central National Bank
Dept. of Rev., Dr. License Exam Dist #18 Fee
First National Bank
Wildlife & Parks, Milford State Park Fee

Harvey County:

Newton

First Bank of Newton
S. R. S. Fee

Hodgeman County:

Jetmore

Farmers State Bank
Abstracters Board of Examiners Fee

Jefferson County:

Perry

Bank of Perry
Wildlife & Parks, Perry State Park Fee

Johnson County:

Lenexa

Bank IV Lenexa
Wildlife & Parks Fee
Country Hill Bank
Dept. of Rev., Dr. License Exam Dist #3 Fee

Olathe

Bank IV Olathe
S. R. S. Fee
First National Bank
School for the Deaf Fee
Olathe State Bank
KHP, Motor Carrier Insp. #23W Fee
KHP, Motor Carrier Insp. #24W Fee

Overland Park

First Continental Bank
University of Kansas Regents Center Library Fee
Metcalf State Bank
Kansas Lottery Fee

Labette County:

Chetopa

Chetopa State Bank
KHP, Motor Carrier Insp. #21 Fee

Parsons

Parsons Commercial Bank
S. R. S. Fee
Parsons State Hospital Fee
KSU, S.E. Ks. Experiment Station Fee

Leavenworth County:

Lansing

First State Bank
Kansas State Penitentiary Fee

Leavenworth

First National Bank
S. R. S. Fee
Manufacturers State Bank
Kansas Correctional Institution Fee
Dept. of Rev., Dr. License Exam Dist #4 Fee

Linn County:

Pleasanton

Farmers State Bank, Blue Mound, Pleasanton Branch
Wildlife & Parks, Marais des Cygnes Wildlife Fee

Lyon County:

Emporia

Bank IV Emporia
Wildlife & Parks, District Office Fee
Emporia State Bank
S. R. S. Fee
Lyon County State Bank
Dept. of Rev., Dr. License Exam Dist #16 Fee
Emporia State University Fee

Marshall County:

Marysville

Citizens State Bank
KHP, Motor Carrier Insp. #62 Fee

McPherson County:

Marquette

Marquette Farmers State Bank
Wildlife & Parks, Kanopolis State Park Fee

McPherson

McPherson Bank & Trust
Dept. of Rev., Dr. License Exam Dist #25 Fee

Meade County:

Meade

First National Bank, Garden City, Meade Branch
Wildlife & Parks, Meade State Park Fee

Miami County:

Osawatomie

American State Bank
S. R. S. Fee
Osawatomie State Hospital Fee
First National Bank
Dept. of Corr., Osawatomie Corr. Facility Fee

Mitchell County:

Beloit

First National Bank
Youth Center at Beloit Fee

Glen Elder

Traders State Bank
Wildlife & Parks, Glen Elder State Park Fee

Montgomery County:

Caney

Caney Valley National Bank
KHP, Motor Carrier Insp. #23 Fee

Coffeyville

Bank IV Coffeyville
KHP, Motor Carrier Insp. #22 Fee
Coffeyville State Bank
Dept. of Rev., Dr. License Exam Dist #13 Fee

Independence

Citadel Bank
S. R. S. Fee
Citizens National Bank
Wildlife & Parks, Elk City State Park Fee

Nemaha County:

Sabetha

Farmers State Bank
Dept. of Rev., Dr. License Exam Dist #19 Fee
Morrill State Bank
KHP, Motor Carrier Insp. #64 Fee

Neosho County:

Chanute

Bank of Commerce
Wildlife & Parks Fee
Dept. of Rev., Dr. License Exam Dist #14 Fee
KU Med Ctr., S.E. Area Health Education Ctr. Fee

Norton County:

Norton

First Security Bank
Wildlife & Parks, Prairie Dog State Park Fee
Norton Correctional Facility Fee
First State Bank
KHP, Motor Carrier Insp. #51 Fee

Osage County:

Lyndon

Lyndon State Bank
Wildlife & Parks, Melvern State Park Fee
Wildlife & Parks, Pomona State Park Fee

Pawnee County:

Larned

First National Bank
Dept. of Rev., Dr. License Exam Dist #33 Fee
First State Bank
Larned State Hospital Fee

Phillips County:

Agra

Farmers National Bank, Phillipsburg, Agra Branch
KHP, Motor Carrier Insp. #53 Fee

Phillipsburg

First National Bank
Dept. of Rev., Dr. License Exam Dist #31 Fee

Pottawatomie County:

Wamego

First National Bank
S. R. S. Fee

Pratt County:

Pratt

The Peoples Bank
Wildlife & Parks Fee
S. R. S. Fee

Reno County:

Haven

Haven State Bank
Wildlife & Parks, Cheney State Park Fee

Hutchinson

Central Bank & Trust
Hutch Correctional Work Facility Fee
Dept. of Rev., Dr. License Exam Dist #28 Fee
Emprise Bank, N.A.
Kansas State Industrial Reformatory Fee
Kansas State Fair Fee
Kansas State Fair Special Cash Fund Fee
First National Bank
S. R. S. Fee
Kansas State Fair Non-Fair Days Events Fund Fee

Republic County:

Belleville

First National Bank
KHP, Motor Carrier Insp. #58 Fee

Courtland

Swedish-American State Bank
Wildlife & Parks, Lovewell State Park Fee

Riley County:

Manhattan

Citizens Bank & Trust
S. R. S. Fee
Kansas State Bank
Kansas Wheat Commission Fee
Union National Bank
Wildlife & Parks, Tuttle Creek State Park Fee
Dept. of Rev., Dr. License Exam Dist #17 Fee
Kansas State University Fee
Kansas State University Credit Card Fee

Rooks County:

Stockton

Stockton National Bank
Wildlife & Parks, Webster State Park Fee
Dept. of Corr., Stockton Corr. Facility Fee

Russell County:

Lucas

Farmers State Bank
Wildlife & Parks, Wilson State Park Fee Fund

Russell

First National Bank, Salina, Russell Branch
Dept. of Rev., Dr. License Exam Dist #30 Fee

Saline County:

Salina

Bank IV Salina
Dept. of Rev., Dr. License Exam Dist #26 Fee
First Bank & Trust
S.R.S., Vocational Rehab. Center Fee
National Bank of America
Kansas College of Technology Fee
S. R. S. Fee

Scott County:

Scott City

First National Bank
Wildlife & Parks, Lake Scott State Park Fee
Security State Bank
Dept. of Rev., Dr. License Exam Dist #38 Fee

Sedgwick County:

Valley Center

Arkansas Valley State Bank
Wildlife & Parks Fee

Wichita

Bank IV Wichita
Kansas Lottery Fee
Wichita State University Fee
Emprise Bank
State Board of Optometry Examiners Fee
First National Bank
Kansas Corporation Commission Conserv. Div. Fee
Southwest National Bank
S. R. S. Fee

Seward County:

Liberal

Citizens State Bank
KHP, Motor Carrier Insp. #37 Fee
KHP, Motor Carrier Insp. #37A Fee
First National Bank
Dept. of Rev., Dr. License Exam Dist #36 Fee
Peoples National Bank
S. R. S. Fee

Lawnee County:

Topeka

Commerce Bank & Trust
Dept. of Rev., Dr. License Exam Dist #7 Fee
Dept. of Rev., Motor Carrier Permit & License Fee
Fidelity Bank
Wildlife & Parks, N. E. Regional Office Fee
Merchants National Bank
Dept. of Commerce Fee

Smith County:

Lebanon

First National Bank
KHP, Motor Carrier Insp. #55 Fee

Sumner County:

Caldwell

Caldwell State Bank
KHP, Motor Carrier Insp. #26A Fee

Wellington

Security State Bank
Dept. of Rev., Dr. License Exam Dist #21 Fee

Thomas County:

Colby

Farmers & Merchants Bank
KSU, Colby Experiment Station Fee
Thomas County National Bank
Dept. of Rev., Dr. License Exam Dist #39 Fee

Wabaunsee County:

Alma

First National Bank
KHP, Motor Carrier Insp. #21W Fee
KHP, Motor Carrier Insp. #22W Fee

Woodson County:

Toronto

Emprise Bank, Iola, Toronto Branch
Wildlife & Parks, Fall River/Toronto St. Park Fee
Dept. of Corr., Toronto Honor Camp Fee

Wyandotte County:

Kansas City

Brotherhood Bank
Dept. of Rev., Dr. License Exam Dist #2 Fee
Douglass Bank
S. R. S. Fee
K. U. Medical Center Fee
First State Bank
Rainbow Mental Health Facility Fee
Guaranty Bank
KHP, Motor Carrier Insp. #5A Fee
School for the Visually Handicapped Fee



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 20, 1990

TO: House Committee on Pension, Investments and Benefits
RE: **HB 2950** - State Fee Agency Accounts

Mr. Chairman and Members of the Committee:

Thank your for the opportunity to discuss with the Committee the provisions of **HB 2950** which would amend existing state law to allow savings banks and savings and loan associations (S&Ls) to serve as depositories for fee accounts of state agencies. The KBA does have some reservations about the bill in its present form.

As we pointed out to this committee last year when a similar measure was before you, the fee agency statute (K.S.A. 75-4214) has been in existence for more than 20 years and has served state government well. These accounts, which number over 150 throughout the state, range in size from small agency accounts in rural counties to the accounts of the institutions controlled by the Board of Regents. The average daily balances in those large accounts will be in excess of \$5 million. 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. Any changes in how these accounts are handled and by whom they are handled should be very carefully considered.

The passage of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) has altered the deposit insurance and capital requirements for banks as well as savings banks and S&Ls. The deposit insurance fund for banks is now known as the Bank Insurance Fund (BIF) and the fund for S&Ls and savings banks is known as the Savings Association Insurance Fund (SAIF). Both of these funds are under the general control of the Federal Deposit Insurance Corporation (FDIC).

*ATTACHMENT 6
2-20-90*

The federal act also requires S&Ls and savings banks to ultimately raise their capital standards to those of banks. However, those standards will not be equal until at least 1993 and until that occurs it would obviously give S&Ls and savings banks an advantage in bidding on fee accounts.

Therefore, we would recommend that if the Committee is interested in amending the present law to allow savings banks and S&Ls to bid on state fee agency accounts that **HB 2950** be further amended to require that such institutions have "tangible capital" (as defined in Section 5 of Title III of FIRREA) equal to at least 6% of assets in order to become eligible bidders. Such an amendment would restrict the bidding to those institutions with approximately the same capital as the banks meeting the minimum capital requirements of their regulatory agencies. An analysis of banks holding state fee agency accounts last year showed an average capital ratio of 9.23%.

If the committee would adopt such an amendment, the KBA would not object to the passage of **HB 2950**. Without the amendment we believe the bill would create an unfair advantage for S&Ls and savings banks and we would request that the bill be reported adversely.

The Kansas Bankers Association appreciates the opportunity to discuss this important state issue with the Committee.



James S. Maag
Senior Vice President