

Approved Del June 3-25-91  
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS

The meeting was called to order by Representative Delbert L. Gross at  
Chairperson

3:30 ~~xxx~~ a.m./p.m. on March 4, 1991 in room 527-S of the Capitol.

All members were present except: Representatives Jim Cates, Mary Jane Johnson and L. V. "Sam" Roper, Excused.

Committee staff present: Bill Wolff, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
June Evans, Secretary

Conferees appearing before the committee: Johnathan P. Small, Attorney/Lobbyist  
Jim Parrish, Securities Commissioner  
Sally Thompson, Treasurer  
Bev Bradley, Deputy Director, Kansas Association of Counties  
Norman Wilks, Director of Labor Relations, Kansas Association of School Boards  
Ernie Mosher, Executive Director, League of Municipalities.  
Jim Maag, Senior Vice President, Kansas Bankers Association  
Kathy Taylor, Associate General Counsel, Kansas Bankers Association  
Anderson Chandler, President, Fidelity State Bank and Trust Company  
Jeffrey D. Sonnich, Vice President, Kansas-Nebraska League of Savings Institutions  
Stan Lind, Counsel and Secretary of the Kansas Association of Financial Services  
Representative Tim Shallenburger

The Chairperson opened the meeting at 3:30 P.M.

Representative Dillon moved and Representative Long seconded that minutes of the February 13, 14, 18, 19, 20, and 25 be approved. The motion carried.

The Chairperson opened the hearings on HB 2463, an Act relating to securities; increasing the fee for an application or filing for any exemption from securities registration; amending K.S.A. 17-1259 and repealing the existing section.

The first conferee was Jonathan P. Small, Attorney/Lobbyist, supporting HB 2463 which proposes to change the fee which the Commissioner is authorized to charge for applications or filings made in connection with any exemption from securities regulation. (See Atch #1)

Jim Parrish, Securities Commissioner, was the next conferee, stating he supports HB 2463 with amendments; i.e., in line 24 change "A" to "Any" and strike lines 25, 26, 27, and "company act of 1940 in line 28. In line 36 change "\$1,500" to "\$2,500" and add sentence "The Commissioner shall establish registration fees by rule and regulation" before "The". On page 2 in line 9 change "\$1,500" to "\$2,500". (See Atch #2).

Amy Lee, Assistant Counsel, Security Benefit Association, left testimony to support HB 2463. (See Atch #3).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS,  
room ROOM 527-8 Statehouse, at 3:30 ~~x~~m./p.m. on March 4, 1991

The hearing was closed on HB 2463.

The Chairperson opened the hearing on HB 2519, an Act concerning the investments of public moneys; providing for the municipal investment pool fund; investments; requirements; amending K.S.A. 1990, Supp 12-1675 and repealing the existing section.

Sally Thompson, Treasurer, was the first to testify, supporting HB 2519, stating the creation of such an investment option for local units of government is timely. Suggested change of New Section 1, line 18, that the words "financial institutions" be changed to "commercial banks". (See Atchs #4 and 4A).

Bev Bradley, Deputy Director, Kansas Association of Counties, testified giving guarded support of HB 2519; however, prefer to have the language in lines 17-25 excluded making the option of the municipal investment pool fund in the state treasury available without that exclusion. (See Atch #5).

Norman Wilks, Director of Labor Relations, Kansas Association of School Boards, supported passage of HB 2519, and suggested on line 17 that "shall" be changed to "may". (See Atch #6).

Ernie Mosher, Executive Director, League of Municipalities, stated the governing body of the League supports HB 2519. (See Atch #7).

Jim Maag, Senior Vice President, Kansas Bankers Association, opposed HB 2519 stating this bill would make some very basic policy changes relating to how local units of government should invest their idle funds. Therefore, K.B.A. urges the committee to consider such changes quite carefully before overturning an investment policy which has worked well for nearly a quarter of a century. (See Atch #8).

There was discussion, i.e., money should be kept in the local community for local use. It was stated that possibly an Interim Study should be done this summer. It was urged to look at pledging. It was also stated that could use pool and all other available avenues.

The hearing was closed on HB 2519.

The Chairperson opened the hearing on HB 2377.

Kathy Taylor, Associate General Counsel, KBA, testified in support of HB 2377 stating this measure will serve to clarify and make fair, the ability of financial institutions to recoup some of the costs associated with offering open lines of credit. (See Atch #9).

Anderson Chandler, President, Fidelity State Bank and Trust Company, supports HB 2377 which would amend KSA 16a-2-501(c) to clarify that certain charges now authorized lenders for annual or monthly fees or cash advance fees, are authorized for all open-end credit and not just credit cards. (See Atch #10).

Jeffrey D. Sonnich, Vice President, Kansas-Nebraska League of Savings Institutions, supported HB 2377 stating this bill would allow financial institutions to charge certain fees in connection with open-end credit where those fees are not assessed for the privilege of using a lender credit card. (See Atch #11).

Stan Lind, Counsel and Secretary of the Kansas Association of Financial Service stating the trade association of consumer finance companies appears in support of HB 2377. Under present law, only lender credit cards may charge an annual fee-while-a line of credit contract activated by a check rather than a credit card-may not charge an annual fee. (See Atch #12)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS,  
room 527-S, Statehouse, at 3:30 ~~am~~/p.m. on March 4, 1991

The Chairperson closed the hearing on HB 2377.

The Chairperson opened the hearing on HB 2521, an Act relating to banks and banking; prohibiting the imposition and collection of certain fees for the cashing of certain checks and state warrants.

Representative Tim Shallenburger testified in support of HB 2521 stating there should be no charges for cashing state checks and warrants.

Jim Maag, Senior Vice President, Kansas Bankers Association, was the next conferee opposing HB 2521, stating KBA believes that the requested prohibition in Section 1 relating to checks written on the account of a customer already exists. It is further believed the prohibition requested relating to state warrants is unfair and discriminatory. It is also discriminatory since it applies to banks and not to other institutions involved in cashing state government warrants. (See Atch #13).

The hearing was closed on HB 2521.

The Chairperson stated that final action would be taken on HBs 2463 and 2250.

Representative Long moved to amend HB 2250, line 36, "commissioner", should be changed to "examination team". In line 39, strike "accurate" and in line 42 add "or the bank commissioner" after "pany". The motion carried.

Representative Long moved and Representative Shallenburger seconded to move HB 2250 out as amended. The motion carried.

The Chairperson asked the wishes of the Committee on HB 2463.

Representative Roy moved and Representative King seconded to amend HB 2463 as amended by the Securities Commissioner. (See Atch #2).

After discussion, Representative Roy moved and Representative Dillon seconded to pass HB 2463 out favorably as amended.

It was questions after further discussion if HB 2463 should be moved out or held over until next year.

The Chairperson stated the vote would be held off until some questions could be resolved as the bill should not be passed out if not in the best form as it can be looked at later.

The meeting adjourned at 5:05 P.M.

Date: 3/4/91

GUEST REGISTER  
 HOUSE  
 COMMERCIAL & FINANCIAL INSTITUTIONS COMMITTEE

NAME	ORGANIZATION	ADDRESS
Andrew Chandler	Fidelity State Bank Co	600 <sup>th</sup> Ave Topeka, KS
Gerry Ray	Johnson Co Commission	Olathe
Jeff Summit	KWLSI	TOPEKA
Jim May	KABA	"
NORA WICKS	RASB	TOPEKA
Judith Wright	KCUL	Topeka
Lyell Oelback	Pooled Money Invest. Bd	"
Steve Wasson	Ks. Securities Comm	"
<del>James Smith</del>	" " "	"
Jolly Thompson	State Treasurer	Landon Bldg Topeka
Stan Lind	Ks. Assn. of Financial Services	K.C. KS.
John O'Dell	State Treasurer's Office	Topeka 201 LS015
Roger N. Welton	Securities Commissioner	618 Kan Av. - <del>1st</del> 2nd Floor
Alan Steppat	Pete McBill & Assoc.	Topeka
Susan Kopeland	Johnson Co. Fin Dept	Olathe KS





JONATHAN P. SMALL, CHARTERED

Attorney and Counselor at Law  
Suite 304, Capitol Tower  
400 West Eighth Street  
Topeka, Kansas 66603  
913/234-3686

TESTIMONY OF JONATHAN P. SMALL  
REPRESENTING INVESTMENT COMPANY INSTITUTE  
PROPONENT  
1991 HB 2463

My name is Jonathan P. Small. I represent the Investment Company Institute (ICI). ICI is headquartered in Washington, D.C. and is a national organization which represents 3,151 open-end investment companies (mutual funds) and over 200 closed-end companies (unit trusts). It is a national industry organization that is very active across the country concerning issues involving mutual funds and unit trusts.

We support HB 2463. It is an amendment to the statute which enables the Kansas Securities Commissioner to exercise the statutory flexibility of K.S.A. 17-1259.

The change proposed seeks to adjust the permissible fee which the Commissioner is authorized to charge for applications or filings made in connection with any exemption from securities regulation.

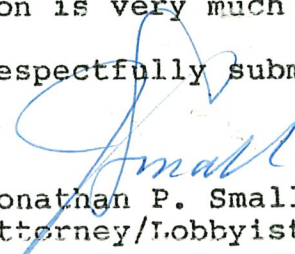
The change elevates the permissible charge to a ceiling which is consistent with the amount otherwise requested as the ceiling provided in K.S.A. 17-1259(b)(1).

Simply stated, the proposed change will enhance the Commissioner's rule-making flexibility with respect to exempt applications or filings.

It is a common sense amendment which in our judgment will pave the way to provide in our particular case a potential means to facilitate a simplified registration and filing process which will not degrade the agency's regulatory capabilities concerning the types of securities interests we represent.

Your favorable consideration is very much appreciated.

Respectfully submitted,

  
Jonathan P. Small  
Attorney/Lobbyist

ZS0304T1

3-4-91  
CFI  
Atch #1

HOUSE BILL No. 2463

By Committee on Commercial and Financial Institutions

2-26

8 AN ACT relating to securities; increasing the fee for an application  
9 or filing for any exemption from securities registration; amending  
10 K.S.A. 17-1259 and repealing the existing section.

11  
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 17-1259 is hereby amended to read as follows:  
14 17-1259. (a) When securities are registered by notification or by  
15 coordination or by qualification, they may be offered and sold by a  
16 registered agent of the insurer or by any registered broker-dealer.  
17 Every registration shall remain effective for one year after its effective  
18 date unless the commissioner by rule or order extends the period  
19 of effectiveness or until terminated upon request of the registrant  
20 with the consent of the commissioner. No registration is effective  
21 while a stop order is in effect under K.S.A. 17-1260, and amendments  
22 thereto. So long as a registration remains effective, all outstanding  
23 securities of the same class shall be considered to be registered for  
24 the purpose of any nonissuer distribution. ~~A registration statement~~  
25 ~~relating to a security issued by a face amount certificate company or~~  
26 ~~a redeemable security issued by an open end management company~~  
27 ~~or unit investment trust, as those terms are defined in the investment~~  
28 ~~company act of 1940, may be amended after its effective date so as~~  
29 ~~to increase the securities specified therein as proposed to be offered.~~  
30 The commissioner may permit the omission of any document or item  
31 of information from any registration statement. Upon completion of  
32 a registered offering a registrant shall file a final report of sales.

33 (b) (1) Every person filing a registration statement shall pay a  
34 fee of .05% of the maximum aggregate offering price at which the  
35 securities are to be offered in this state, but not less than \$100 or  
36 more than ~~\$1,500~~ for each year of effectiveness. ~~The commissioner~~  
37 ~~may by rule and regulation set the maximum amount of securities~~  
38 ~~that may be registered at any one time by a face-amount certificate~~  
39 ~~company or an open-end management company or unit investment~~  
40 ~~trust, as those terms are defined in the investment company act of~~  
41 ~~1940. If a registration statement is voluntarily withdrawn prior to~~  
42 ~~being examined by the staff of the commissioner, the commissioner~~  
43 ~~may refund 50% of the fee so paid.~~

Any

\$2500

The Commissioner shall establish registration fees by rule and regulation.

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CF&I  
Atch #2

1 (2) Every person filing an application to amend or extend an  
2 effective registration statement shall pay a fee of \$100. If an appli-  
3 cation to amend increases the maximum aggregate offering price of  
4 securities to be offered in this state, an additional fee shall be paid  
5 based upon the increase in such price calculated in accordance with  
6 the rate and annual minimum and maximum fees specified in par-  
7 agraph (1) of this section.

8 (3) The commissioner may by rule and regulation set a fee not  
9 to exceed ~~\$100~~ ~~\$1,500~~ \$2500 for an application or filing made in connection  
10 with any exemption from securities registration.

11 (c) The commissioner at the time of the granting of the author-  
12 ization to sell securities as herein provided, may determine and fix  
13 the maximum amount that may be paid as or in the way of com-  
14 mission, advertising expense and all other expenses from the sale of  
15 such securities.

16 (d) Before any authorization to sell securities shall be issued by  
17 the commissioner as herein provided, all stock or securities of any  
18 kind issued, or to be issued, for consideration less than the public  
19 offering price or for consideration other than cash may be required  
20 to be deposited in escrow according to such conditions as the com-  
21 missioner shall provide by rule and regulation.

22 (e) The commissioner shall keep a register showing the issuer,  
23 date of registration, amount in number of dollars, of the securities  
24 registered.

25 (f) Neither the commissioner nor any employee of the securities  
26 department shall be interested as an officer, director, or stockholder  
27 in securing any authorization to sell securities under the provisions  
28 of this act.

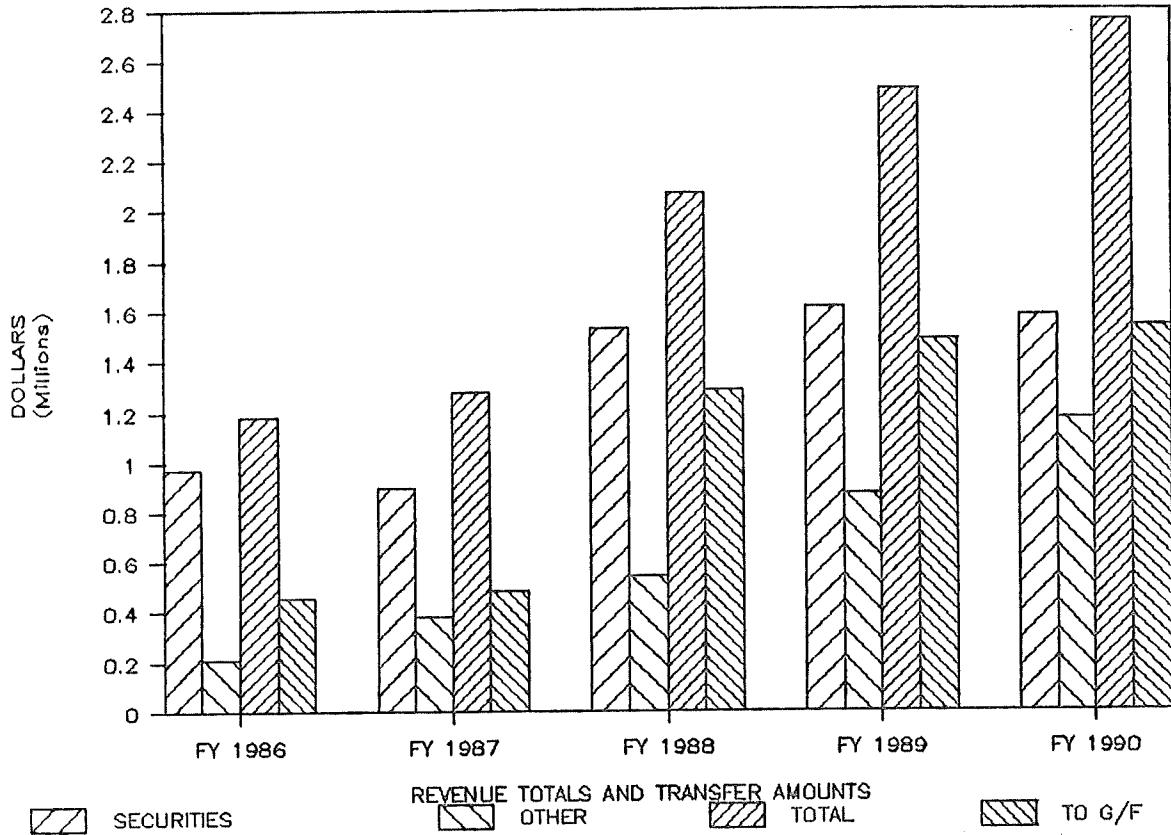
29 (g) Upon termination of a registration the filing of a final report  
30 as required by section (a) shall satisfy the filing requirements of  
31 *subsection (m)(3) of K.S.A. 17-1261(m)(3)*, and amendments thereto.

32 Sec. 2. K.S.A. 17-1259 is hereby repealed.

33 Sec. 3. This act shall take effect and be in force from and after  
34 its publication in the Kansas register.

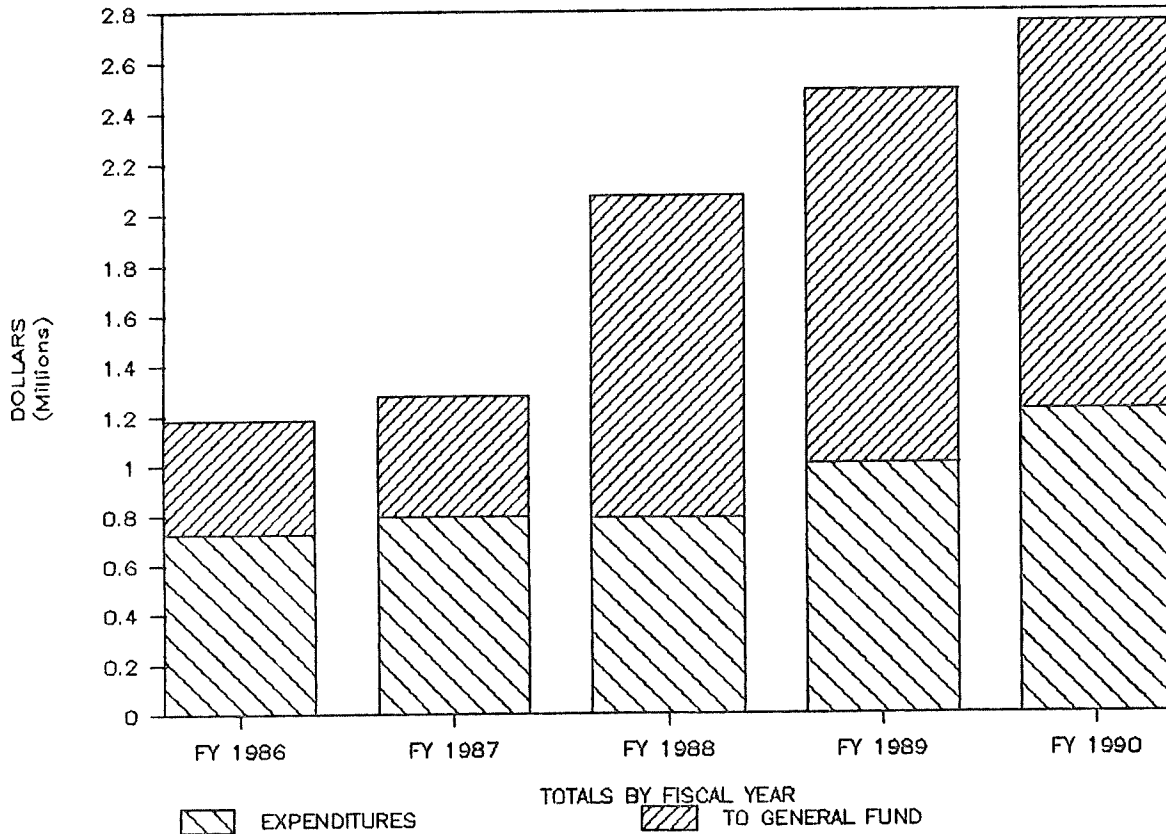
# SECURITIES COMMISSIONER OF KANSAS

## 5-YEAR REVENUE AND TRANSFER SUMMARY



# SECURITIES COMMISSIONER OF KANSAS

## 5-YEAR RECAP: USE OF FUNDS





March 4, 1991

The Honorable Delbert Gross  
Chairperson, House Committee on Commercial  
and Financial Institutions  
State Capitol  
Topeka, Kansas

Re: House Bill 2463

Dear Mr. Gross:

I am writing on behalf of Security Management Company, an investment adviser registered with the State of Kansas and the Securities and Exchange Commission ("SEC"), which serves as investment adviser to nine open-end management investment companies (more commonly known as mutual funds). Security Management Company, which has over \$1 billion in assets under management, is a wholly-owned subsidiary of Security Benefit Group, Inc. which is a wholly-owned subsidiary of Security Benefit Life Insurance Company. All of the foregoing companies are organized as Kansas corporations.

Seven of the mutual funds managed by Security Management Company are publicly-offered and each of these funds is registered for sale in Kansas and most of the other states.

Security Management Company supports House Bill 2463 which would increase the current fee for exemption from securities registration from a fee not to exceed \$100 to one that is not to exceed \$1,500. Security Management Company supports the Bill because it would allow the Securities Commissioner the latitude to exempt certain mutual funds from registration without forfeiting the revenue provided by such registrations. If the Bill is adopted, the Commissioner will be able to consider adoption of a "blue chip" exemption for mutual funds that meet certain requirements, for example being advised by an investment adviser which has been registered with the SEC as such for at least the immediately preceding three years.

We believe that such a blue chip exemption is appropriate, because mutual funds are so thoroughly regulated at the federal level that it is not necessary for the states to actively regulate funds that are managed by experienced advisers or otherwise affiliated with experienced entities. We believe that adoption of a blue chip exemption for mutual funds will greatly reduce the administrative resources



The Honorable Delbert Gross  
March 4, 1991  
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needed to regulate mutual funds which are registered for sale in Kansas and will allow the State Securities Commission to devote more of its resources to other securities products that are not regulated by the federal government and that may pose more of a potential threat to prospective Kansas investors.

Another benefit is that as many states move toward exemption from registration for certain mutual funds, mutual funds will incur lower administrative costs in registering their shares for sale in the various states and such reduced costs will benefit their stockholders.

For the foregoing reasons, Security Management Company presents this testimony in favor of House Bill 2463. I thank you for the opportunity to comment on this Bill.

Sincerely,

Amy J. Lee  
Assistant Counsel  
Security Benefit Group, Inc.

cc: Roger K. Viola, General Counsel



STATE OF KANSAS

Sally Thompson

TREASURER

900 JACKSON, SUITE 201  
TOPEKA, KANSAS 66612-1235

TELEPHONE  
(913) 296-3171

Testimony on HB 2519  
before the  
House Committee on Commercial and Financial Institutions  
by  
State Treasurer Sally Thompson  
Monday, March 4, 1991

Mr. Chairman and members of the Committee. I appreciate the opportunity to discuss HB 2519 which would provide for the municipal investment pool fund by amending K.S.A. 1990 Supp. 12-1675.

The creation of such an investment option for local units of government is timely. Demand for public funds in financial institutions is waning due to increased FDIC insurance costs and lack of loan demand. Consequently, the collateral pledged for security can more profitably be used in other areas. Local units of government are increasingly faced with a peculiar dilemma--no place for short term monies. For example, Johnson County had \$15 million recently that none of the local institutions would bid on at any rate. And last week, one of the largest banks in Topeka told me that they would no longer bid on county money because the margins of profits do not support the amount of work or collateral required to accept these monies.

House Bill 2519 will help provide options for such dilemmas and I appreciate the opportunity to review the objectives of creating a municipal investment pool and its advantages.

The primary objective of a pool is to provide local units of government an investment option when there is no local demand for excess funds. Coupled with this objective are two crucial

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Atch # 4

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investment restraints: safety of principal and daily liquidity.

Although all funds are pooled for investment purposes, each locality's participation in the pool is reported separately. In essence, MIPs function as financial intermediaries between local governments and financial institutions by using their technical expertise to invest the funds on behalf of those governments who contributed to the pool. These municipal investment pools (MIPs) have consistently provided three investment benefits of particular importance to local governments: safe investments, daily liquidity, and high rates of return. With about 10,000 participants in 25 states, MIPs oversee \$32.5 billion and continue to gain a reputation as a successful tool of investment management.

With enormous financial burdens felt by all municipalities during this time of tight budgets and reduced federal supplements, the MIP is more essential now than ever.

The need for such a pool is clear. Several problems prevent most local governments from maximizing earnings on idle moneys: little to no local demand in some areas; fund size; liquidity; staff size; and communications.

1. Size of investment sums tend to be too small to take advantage of higher rates paid on large investments or to broaden investment opportunities.
2. Uneven, and sometimes unpredictable, cash needs of local governments often require their separate investments be quickly liquidated and earn less.
3. Limited staff resources often means only part-time attention is paid to excess investment strategy--it is expensive and redundant for hundreds of governments to become investment experts in one state when a single pool does the job.
4. Informal lines of communication providing information on quick-breaking investment opportunities tend to exist only among large investors.

As there are more than 4,000 local government and taxing units in Kansas, the loss of potential public revenues, in absence of an

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MIP, would be huge. We cannot afford such needless waste.

By combining investments, including State Excess Funds all of which will be invested by the Pooled Money Investment Board, the MIP is able, at a nominal charge, to provide solutions to such investment barriers. (On the state level, we also have experienced the same kind of lack of local demands for funds. The most recent example is that of the month of February when \$21 million had been turned back by Kansas banks from inactive accounts.)

This bill would not require any additional software costs and implementation can be achieved with staff time in the State Treasurer's office.

#### ADVANTAGES OF MIP's

MIPs provide a safe investment for local governments.

This investment vehicle would be especially useful to Kansas local governments at peak collection times, such as when tax revenues are received. Current law requires only 50% pledging coverage at financial institutions during these peak collection periods.

Pools provide an affordable, yet flexible, tool for cash management. Most MIPs invest in short term instruments to assure liquidity for those participants that need to use their money on short notice. Administrative costs are minimized by deducting the expense from the earnings accrual, thus making it unnecessary for cash managers to appropriate additional monies that could be invested. Further, the lack of minimum denominations for investment coupled with daily liquidity not only eliminates the need to maintain non-interest bearing demand balances, but also preserves the ability to fine tune the amount invested.

By pooling investment funds, local governments can realize higher yields. When local governments combine their excess capital, economies of scale are created that allow pools to obtain the technical expertise and purchasing power to create a higher yield usually not available to local governments as individual accounts.

Local government investment pools have established impressive records in terms of pool earnings and increased participation. A

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Page Four

Municipal Investment Pool is particularly advantageous to small local governments that may choose to combine their idle cash to make short-term investments equal to those afforded to state government or larger local governments. A carefully designed pool with articulated objectives and policies will consistently maintain the integrity of local funds within a diversified and safe portfolio, provide liquidity nearly equal to a savings account, and offer rates of return on invested monies in excess of comparable alternative investments.

On a final note, I suggest a change in the bill as drafted to state in the New Section 1, that the words "financial institutions" be substituted for "commercial banks" on line 18.

I stand for any questions you may have following the testimony provided to you today; I ask for your support in approving this legislation. Thank you.



# SPECIAL REPORT

A Publication of the National Association of State Treasurers

## LOCAL GOVERNMENT INVESTMENT POOLS



## Background

As the complexity and size of society increase, the demand for local government services increases at a similar, if not greater pace. Further complicating this situation is the fiscal reality that expenditures for these services are growing as well. In balancing these political and fiscal factors, local government officials are faced with the difficult and unpopular choice of cutting services or bolstering revenues by raising taxes. State investment officials offer local officials a more palatable means of increasing revenues without tax hikes. Entrusted with the fiduciary responsibility for, in many cases, billions of public dollars, state investment officials have utilized their technical expertise and the available financial resources of local governments to substantially enhance revenues.

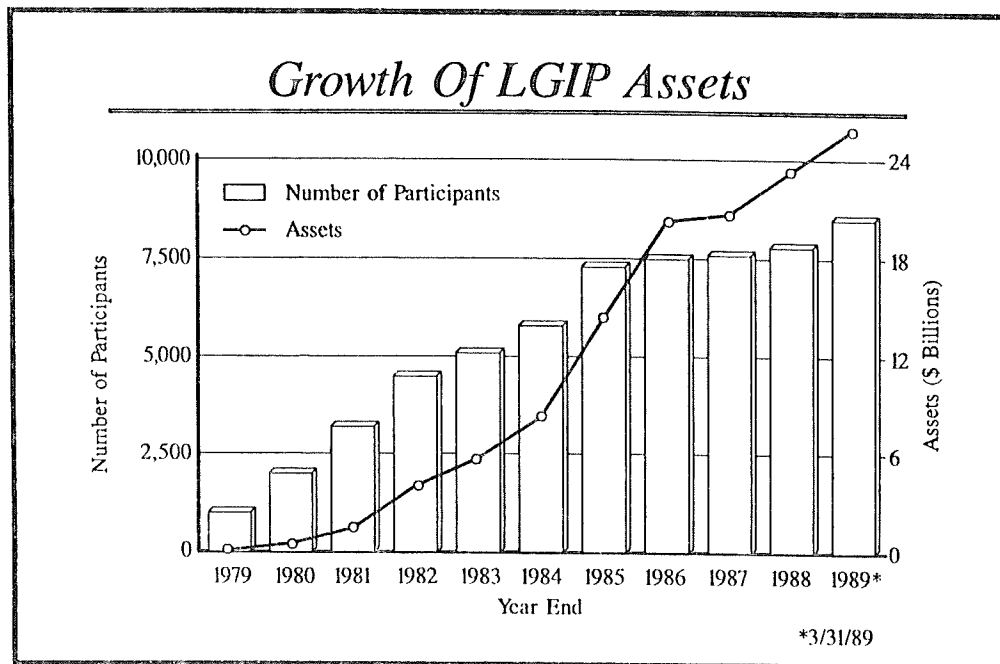
Through a cooperative effort commonly known as local government investment pools (LGIPs or pools), local governments can take advantage of investment opportunities formerly available only to larger accounts (i.e. larger governmental units). A pool acts as a voluntary, state-managed investment option for the surplus operating funds within a state. Each local government pools its excess operating funds with that of other local governments in an operation much like a

money market mutual fund, but with the added benefit of being structured to meet the unique needs of government investors. Although all funds are pooled for investment purposes, each locality's participation in the pool is reported separately. In essence, LGIPs function as financial intermediaries between local governments and financial institutions by using their technical expertise to invest the funds on behalf of those governments who contributed to the pool. These LGIPs have consistently provided three investment benefits of particular importance to local governments: safe investments, daily liquidity, and high rates of return. With about 10,000 participants in 25 states<sup>1</sup>, LGIPs oversee 32.5 billion dollars and continue to gain a reputation as a successful tool of investment management.<sup>2</sup>

In response to the growing use and interest in LGIPs, the National Association of State Treasurers (NAST) conducted a study that outlined the key features of state sponsored LGIPs and aided in the development of a policy statement which establishes full disclosure procedures for LGIPs (see page 7). This policy seeks to improve communication between pool participants and operators so that both may make more informed decisions.

<sup>1</sup> Colorado, Iowa, Minnesota, and Pennsylvania have non-state sponsored LGIPs that are organized pursuant to "joint powers" or "intergovernmental agreements". These LGIPs are typically operated by private money management firms under the supervision of separate trust agreements and a board of trustees consisting of local officials participating in the pool. Girard Miller and David Maynard, "Local Government Investment Pools", *Investment Exchange*: March 1989. See chart on page 6.

<sup>2</sup> Comments from David Maynard at the 25 July 1990 NAST Workshop on LGIPs.



### Active Local Government Investment Pools

State	Year of Inception	Local/State Participants	1988		1989	
			Participating Local Governments	Individual Pool Accounts	Participating Local Governments	Individual Pool Accounts
Arizona	1981	L/S	68	161	117	339
California	1977	L	1,515	...	1,586	...
Connecticut	1973	L/S	85	(a)	91	(a)
Florida	1977	L	439	907	475	950
Georgia	1981	L/S	105	111	120	140
Idaho	1981	L	248	485	375	567
Illinois	1974	L/S	1,467	6,626	2,249	6,626
Maryland	1982	L	112	180	120	184
Massachusetts	1977	L/S	588	2,400	612	3,155
Montana	1973	L/S	38	150	48	164
Nevada	1981	...	35	35	34	50
New Jersey	1978	L/S	532	2,126	547	2,441
New Mexico	1988	L/S	...	...	60	157
North Carolina	1982	L	542	1,110	552	1,229
Ohio	1986	L/S	730	1,147	972	1,400+
Oregon	1974	L	618	1,080	659	1,151
South Carolina	1986	L	61	462	70	347
Tennessee	1979	L/S	147	425	185	523
Texas	1989	L	...	...	...	...
Utah	1974	L/S	250	1,000	350	1,018
Virginia	1981	L	60	146	93	175
Washington	1987	L	145	145	159	159
West Virginia	1978	L	620	4,854	70	276
Wisconsin	1975	L	452	1,205	517	1,500
Wyoming (b)	1987	L/S	N/A	N/A	31	31

**Key:**

... - Not available

N/A - Not applicable

L - Local government participants only

L/S - Local and state government participants

Note: The following states have Non-State Sponsored Joint Powers Act Pools: Colorado (1985); Iowa (1988); Minnesota (...); and Pennsylvania (1981).

(a) One individual pool account with 275 state agencies in account.

(b) In Wyoming, number of participating local governments is same as number of individual pool accounts. For 1989, number grew to 31.



"Service to County Government"

212 S.W. 7th Street  
Topeka, Kansas 66603  
(913) 233-2271  
FAX (913) 233-4830

**EXECUTIVE BOARD**

**President**

Marjory Scheufler  
Edwards County Commissioner  
R.R. 1, Box 76  
Belpre, KS 67519  
(316) 995-3973

**Vice-President**

Marion Cox  
Wabaunsee County Sheriff  
Wabaunsee County Courthouse  
Alma, KS 66401  
(913) 765-3303

**Past President**

Winifred Kingman  
Shawnee County Commissioner  
(913) 291-4040  
(913) 272-8948

Thomas "Tom" Pickford, P.E.  
Shawnee County Engineer  
(913) 266-0192

Murray Nolte  
Johnson County Commissioner  
(913) 791-5501

**DIRECTORS**

Leonard "Bud" Archer  
Phillips County Commissioner  
(913) 689-4685

George Burrows  
Stevens County Commissioner  
(316) 593-4534

John Delmont  
Cherokee County Commissioner  
(316) 848-3717

Berneice "Bonnie" Gilmore  
Wichita County Clerk  
(316) 375-2731

Betty McBride  
Cherokee County Treasurer  
(316) 429-3848

Roy Patton  
Harvey County Weed Director  
(316) 283-1890

Gary Post  
Seward County Appraiser  
(316) 624-0211

Nancy Prawl  
Brown County Register of Deeds  
(913) 742-3741

Vernon Wendelken  
Clay County Commissioner  
(913) 461-5694

**NACo Representative**

Keith Devenney  
Geary County Commissioner  
(913) 238-7894

**Executive Director**

John T. Torbert

To: Representative Delbert Gross, Chairman  
Members House Commercial and Financial  
Institutions Committee

From: Bev Bradley, Deputy Director  
Kansas Association of Counties

Re: HB 2519 Concerning Investments of Public Moneys

Thank you Mr. Chairman and members of the committee. I am Bev Bradley representing the Kansas Association of Counties. We appear today in guarded support of HB 2519 as it does offer another option for county treasurers. We would, however, prefer to have the language in lines 17 through 25 excluded, making the option of the municipal investment pool fund in the state treasury available without that exclusion.

TSB2519

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Atch # 5



Testimony on H.B. 2519  
before the  
House Committee on Commercial & Financial Institutions

by

NORMAN D. WILKS, DIRECTOR OF LABOR RELATIONS  
Kansas Association of School Boards

MARCH 4, 1991

Mr. Chairman and Members of the Committee, on behalf of the 292 of 304 Unified School Boards of Education, which are members of the Kansas Association of School Boards, we wish to express our support for the passage of H.B. 2519.

We support the addition of another investment opportunity for boards of education to approach yields that are equal to or greater than the average 91-day U.S. Treasury Bill rate. The choice to participate in a municipal investment pool fund should always remain with the local board of education and when the local investment opportunities will not yield the 91-day U.S. Treasury Bill rate.

We are therefore concerned with the word "shall" on line 17 of page 1 of the bill. It would seem more appropriate to change the word "shall" to "may".

We continue to receive calls from various school boards stating that they are unable to acquire the average yield of 91-day U.S. Treasury Bills from their local banks or savings and loans. The same

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districts are concerned with making direct investments in U.S. Treasury Bills or Notes because of the extended maturity dates. We are assuming that investment of the municipal investment pool fund could be on a more flexible basis. We, therefore, see the creation of the municipal investment pool fund through the Treasurer's office as an additional investment opportunity.

We therefore urge you to recommend H.B. 2519 favorable for passage.



**League  
of Kansas  
Municipalities**

**Municipal  
Legislative  
Testimony**

**PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 W. 7TH TOPEKA, KS 66603 (913) 354-9565 FAX (913) 354-4186**

**TO:** House Committee on Commercial and Financial Institutions  
**FROM:** E. A. Mosher, Executive Director, League of Kansas Municipalities  
**RE:** HB 2519--Municipal Investment Pool  
**DATE:** March 4, 1991

By action of the Governing Body of the League, I appear in support of HB 2519. At our 1990 convention, our city voting delegates reaffirmed its support for bills like HB 2519. Our convention-adopted policy statement provides: "A state-local investment pool program should be established, optional for local government use, similar to those which have proved very advantageous to local units and taxpayers in other states".

Since the bill restricts local governments from using the municipal investment pool where local banks and financial institutions agree to pay the 91 day treasury bill rate, we do not think the pool will be extensively used under normal economic conditions. However, it could be very advantageous to some local governments, particularly smaller units, providing a simple way to receive a reasonable rate of return on their inactive public moneys. In addition, we think it may encourage local financial institutions to be competitive, because of the availability of the state municipal investment pool program.

Especially in recent years, local governments are looking for ways to hold down property taxes as well as municipal utility rates and service charges. We think HB 2519 is a good bill, and ought to be passed.

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The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 4, 1991

TO: House Committee on Commercial and Financial Institutions  
RE: **HB 2519** - Creation of a municipal investment pool fund

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the provisions of **HB 2519** with the committee. This bill would make some very basic policy changes relating to how local units of government should invest their idle funds. Therefore, we would urge the committee to consider such changes quite carefully before overturning an investment policy which has worked well for nearly a quarter of a century.

This public funds investment statute (K.S.A. 12-1675) was first enacted in 1968. It gives local units of government substantial flexibility for the investment of those "moneys which are not immediately required for the purposes for which the moneys were collected or received" at fair and reasonable rates. There are four different methods of investment ranging from no-fund warrants to CDs to repurchase agreements ("repos") as well as U.S. Treasury bills and notes. These investments are to be made locally if any banks or S&Ls within the local unit's boundaries are willing to pay the 91-day Treasury bill rate on these moneys. If those local financial institutions are not willing to pay that rate then the local unit can invest in Treasuries or go to banks and S&Ls in the county or adjacent counties. In the case of repos, there is an additional provision which allows the local unit to seek such agreements on a state-wide basis. Thus, it is apparent that local units already have many investment options which can result in a fair and adequate return on their money.

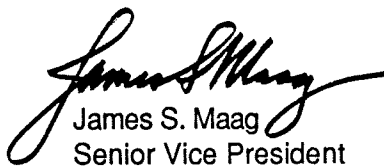
It is also worth noting that while this law has served Kansas well in the investment of tax moneys, an accompanying law (K.S.A. 9-1402) has kept that money safe by requiring very high pledging standards on the invested moneys. That the Legislature created a very sound pledging policy is shown in the fact that during the last decade when nearly 100 banks and S&Ls failed in Kansas, not one dime of public moneys was lost. The Legislature can take great pride in implementing such a safe and workable pledging law.

The provisions of **HB 2519** would also deviate from the present legislative policy which has been to maximize the use of the tax dollars in the communities where they were raised by allowing the local financial institutions to make loans or invest in other assets of benefit to the community such as locally issued bonds. Obviously such investments have a positive economic impact on those communities.

The committee should carefully consider several questions about the creation of a centralized investment pool. For instance, would local units, in fact, realize any higher return for their investment by the time the 1% administrative fee to the State Treasurer is paid and the

additional administrative costs at the local level are considered? What protection does the local unit have for the moneys which are invested in the central pool since there are no provisions for pledging against those deposits? Would the state be liable for any losses a local unit might suffer from investments in the pool? What would be the minimum and maximum time limits for investments in the pool? Should the pool be allowed to invest in instruments which could result in a loss? Since the pool rate would evidently fluctuate would the local unit be allowed to withdraw its moneys before or during a market downturn?

We are well aware that local units in certain areas may be having difficulty getting what they consider to be an adequate CD (certificate of deposit) rate right now due to low loan demand and the prospect of sharply higher deposit insurance premium rates for banks and S&Ls. However, the existing law does provide several alternatives and we would earnestly request that the Legislature not make a long-term policy change because of what is hopefully a short-term problem. Therefore, we would strongly urge the committee to thoroughly study the potential impact of **HB 2519** before making any final decisions on the measure. Again, thank you for allowing us to appear before the committee.

  
James S. Maag  
Senior Vice President



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 4, 1991

TO: Members of the House Committee on Commercial and Financial  
Institutions

RE: HB 2377

The Kansas Bankers Association appreciates the opportunity to appear in support of HB 2377. This legislative measure will serve to clarify and make fair, the ability of financial institutions to recoup some of the costs associated with offering open lines of credit.

An open line of credit under the Uniform Consumer Credit Code (U3C) is defined as an arrangement where a customer may, from time to time, purchase goods on credit from the lender or may use a credit card for the purpose of purchasing goods. The customer has the privilege of paying the balance of the loaned amount in installments. The lender considers this to be open-ended in that, it is never certain what amount may be lent on a given day, depending on the purchasing whims of the customer. For this service, the lender is authorized to collect a finance charge, which is mainly comprised of interest.

Currently under the U3C, a lender can receive certain fees associated with the costs of offering open-end credit that is **accessed by a credit card**. For example, there is a cost for processing a purchase of goods or an advance of cash each time a credit card is used by the holder. There is also a cost involved when a customer exceeds his limit on the card. In this case the lender must then notify the customer that he has overdrawn his credit and then adjust the computers to allow no further purchases or cash advances.

While the U3C clearly allows a lender to recoup these types of costs associated with **credit card** credit, it is unclear whether these same costs can be recovered for other types of open-end credit.



As an example, many institutions offer overdraft protection for qualified customers on their checking accounts. In effect what occurs when a customer overdraws their account, is that the financial institution automatically pays the check and covers it by making an unsecured loan to the checking account customer. The customer is notified of this transaction and then the customer will usually pay the loaned amount at the end of the month.

Like the credit card transaction, the customer has obtained an unsecured loan under a prior agreement with the lender. The lender has the same costs of providing this type of service to the customer. The only real difference is that in the overdraft protection example above, the credit is not accessed by a "credit card".

There is disagreement among legal counsel representing banks across the state, as to whether the language in the statute as it exists, is broad enough to allow a financial institution to recover these costs on all types of open-end credit. This bill would clear up the confusion and the inequity surrounding this particular area of the law.

Thank you for your consideration of this matter.

Kathleen A. Taylor  
Associate General Counsel

UNIVERSITY OF KANSAS CHANDLER

SEP 4 1991

... by name is Anderson Chandler, and is an officer  
 of Fidelity State Bank and Trust Company, formerly  
 president of Kansas Bankers Association and now  
 president of the American Bankers Association. It is suggested  
 in support of House Bill 2177, which would amend K.S. 16a-2-101 to  
 to certify that certain charges now authorized lenders to apply  
 or directly from their advance fees) are authorized for all open  
 and credit and other credit cards. At present, a lender  
 offering advance credit assessed by a bank has assessed a flat  
 and is authorized to charge in addition to simple annual interest,  
 an annual or monthly fee for keeping the account open. However,  
 the Kansas Consumer Credit Commissioner has ruled that those fees  
 may not be charged on a revolving credit account, unless a credit  
 card or check guarantee card is used to access the revolving  
 credit line.

As a customer service Fidelity State Bank and Trust Company  
 offers overdraft protection to qualified checking account customers.  
 It allows them the convenience of a credit line to cover for  
 cleared funds, or the expense of a charge back for insufficient  
 funds check, or a charge for overdraft. We have  
 an agreement to offer this service to our customers.  
 The bank is currently in the process of...

and we charge to you whenever the overdraft deposit is  
 made. We would like to mail out a printed notice to  
 the depositor whenever an advance is made. This involves expense  
 of 29 cents postage, envelope, form and clerical expense. We are  
 not allowed to make any charge for this, only simple interest at  
 10% APR.

Actually we lower the bank's net earnings by offering the  
 overdraft protection, since we would make more money by either  
 overdrawing the account or returning the checks insufficient funds,  
 since we also charge for either. We feel an obligation to our  
 credit-worthy customers to make this service available, but feel  
 we should be allowed to make a charge, either annual, standby or  
 transaction charge. Many credit card issuers charge \$10.00 or  
 \$15.00 a year in addition to the interest on the balance that is  
 not paid in full monthly. We have 281 such revolving credit  
 overdraft accounts and they average 55 advances per account.

I'll be glad to answer any questions you may have.



**Kansas-Nebraska  
League of  
Savings  
Institutions**

Jeffrey D. Sonnich, Vice-President

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

March 4, 1991

TO: HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS  
FROM: JEFF SONNICH  
RE: HOUSE BILL 2377

Mr. Chairman. Members of the Committee. The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the House Committee on Commercial and Financial Institutions in support of H.B. 2377.

This bill would allow financial institutions to charge certain fees in connection with open-end credit where those fees are not assessed for the privilege of using a lender credit card.

Currently few, if any, savings institutions issue credit cards that would access an open-end line of credit. Passage of this bill would allow Kansas savings institutions who offer equity lines of credit or overdraft protection to charge a nominal monthly or annual fee. This would help offset the expense of maintaining these accounts. These expenses vary from institution to institution but in general they include: mailing and handling costs; monthly line-usage statements; and annual interest statements.

We respectfully request that the House Committee on Commercial and Financial Institutions recommend H.B. 2377 favorably for passage.

Jeffrey D. Sonnich, Vice President  
KNLSI

JDS: bw

3-4-91  
CF&I

Atch #11

H.B. 2377

Statement of Stanley L. Lind,  
Before the House Commercial & Financial  
Institutions Committee on March 4, 1991

Mr. Chairman and Members of the Committee. I am Stanley Lind, Counsel & Secretary of the Kansas Association of Financial Services, the state trade association of consumer finance companies. Our association appears in support of H.B. 2377.

When the Uniform Consumer Credit Code was promulgated in 1968 -and- subsequently enacted in Kansas in 1975, 30 and 90 day open accounts and bank credit cards were the only "open-end" type of credit accounts in general use.

Since then - the use of lines of credit with a dollar limitation, both secured and unsecured have grown into common use. While no statistics as to the number of line of credit loans made are kept to my knowledge, statistics are kept on the amount of loans made for sums over \$5,000 by licensed lenders. In 1989, of \$276,492,651 total loans made, \$116,328,287 (or 41.99%) of all loans made were in sums of \$5,000 or more. From my knowledge of the consumer finance business, it is safe to say that the vast majority of these loans were made on lines of credit contracts where the customer is given a line of credit for a given dollar amount -and- a check book.

Generally speaking - loans made for sums of less than \$5,000 will be made on closed-end type of contracts.

In time, I anticipate that most loans over \$5,000 will be with a line of credit contract activated by check and secured by real estate. That loans below \$5,000 will be line of credit type loans

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activated by a lender credit card. These will be unsecured -or- secured by personal property.

What this discussion leads to -is- the purpose of H.B. 2377. Under present law, only lender credit cards may charge an annual fee -while- a line of credit contract activated by a check rather than a credit card - may not charge an annual fee.

There is no difference between the two -except- in the way the agreement is activated.

The reason for the annual fee on the credit card -is- that they require an annual credit check-up on the customer to see if the individual's credit is still worthy of the amount of the line of credit that has been extended. The same purpose applies to the line of credit contract activated by the check.

The same rationale as to annual fees -is- equally applicable to the "over-limit" fees which are also referred to in this subsection. If one goes over the limit contracted for a credit card, the lender may charge an agreed fee. As stated before, there is no difference between a lender credit card contract -and- a line of credit contract, except as to how they are activated.

The other fees mentioned in this subsection, delinquency charges and insufficient check charges, are authorized by other sections of the UCCC -and- therefore not included in the discussion of H.B. 2377.

For the reasons stated above, we urge the committee's approval of H.B. 2377 for passage.



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 4, 1991

TO: House Committee on Commercial and Financial Institutions  
RE: **HB 2521** - Imposition of certain fees

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the committee on the provisions of **HB 2521**. The KBA believes that the requested prohibition in Section 1 relating to checks written on the account of a customer already exists.

We further believe the prohibition requested in (2) relating to state warrants is unfair and discriminatory. Government check cashing, whether it be on local, state, or federal warrants, has potentially significant fraud risks associated with it and banks should not be prohibited from imposing a fee for accepting such risks. In addition, the bill as drafted is discriminatory since it only applies to banks and not to other institutions involved in cashing state government warrants.

We would respectfully request that **HB 2521** be reported adversely.

James S. Maag  
Senior Vice President