

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by Representative Don Rezac at  
Chairperson

7:37 a.m./p.m. on February 6, 1991 in room 522-S of the Capitol.

All members were present except: Representative Barbara Allen (excused)  
Representative Walker Hendrix (excused)  
Representative Robert Watson (excused)  
Representative Ken Grotewiel (excused)

## Committee staff present:

Richard Ryan, Legislative Research  
Gordon Self, Revisor's Office  
Juanita Blasdel, Committee Secretary

## Conferees appearing before the committee:

Jeff Sonnich - Kansas-Nebraska League of Savings Institutions  
Jim Maag - Kansas Bankers Association

Others attending - see attached list

The chairman called on Representative Sandy Praeger for a bill request for the committee. This bill would have the state pick up the difference between the military pay of state employees serving in "Desert Storm" and their state pay, if there is a differential. (Attachment #1). Motion was made to this effect by Representative Ensminger, seconded by Representative Wisdom and motion carried.

Representative Joan Wagnon presented a request for a bill from a group of constituents who would like the Pensions Committee to look into their participation in KPS vs. KPERS. They have a proposal on how to fund this and an actuarial study on the cost. The information is in the hands of the Revisor's Office at this time. A motion was made by Representative Macy and seconded by Representative McKechnie to introduce this bill. Motion carried.

Representative Wisdom presented a draft of a bill relating to an act creating a Kansas Public Employees Retirement Study Commission providing for the power of duties and functions thereof. Motion was made by Representative McKechnie to introduce this bill, seconded by Representative Wisdom; motion carried.

Chairman Rezac presented a proposal for a bill regarding the job location of state employees serving in "Desert Storm" that when they return they will have the same job location as when they left. Motion was made by Representative Wisdom and seconded by Representative Wells, motion carried.

Staff member, Richard Ryan, presented HB 2042 for hearings.

The chairman introduced Jeff Sonnich of Kansas-Nebraska League of Savings Institutions who testified in support of HB 2042 using testimony which had been passed out previously (Attachment #2).

Mr. Sonnich then responded to questions from the Committee members.

Jim Maag of Kansas Bankers Association was then introduced and also testified in support of HB 2042 from material handed out at that time (Attachment #3). He made specific mention of a proposed amendment to this bill, which is at the back of his handout material.

Mr. Maag then responded to a question that had been previously asked.

Hearings on HB 2042 were then closed by the chairman.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,  
room 522-S, Statehouse, at 7:37 a.m.<sup>XXX</sup> on February 6, 19<sup>91</sup>.

Chairman Rezac announced there would be another Committee meeting next Wednesday morning at 7:30 a.m.

A motion was made by Representative Amos and seconded by Representative Wells that the minutes of the previous meeting be approved. Motion carried.

Meeting was adjourned at 8:05.



SANDY PRAEGER  
 REPRESENTATIVE, 44TH DISTRICT  
 3601 QUAIL CREEK COURT  
 LAWRENCE, KANSAS 66047  
 (913) 841-3554



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER: EDUCATION  
 ELECTIONS  
 PUBLIC HEALTH & WELFARE

February 5, 1991

A PROPOSAL TO GUARANTEE INCOME FOR STATE EMPLOYEES  
 CALLED TO ACTIVE DUTY IN "DESERT STORM."

When employees of the State of Kansas are placed on active duty through the Military Reserves or Guard programs, they make many sacrifices on behalf of their country and state. These men and women leave their homes, families and their jobs, and they risk life and limb. Because some of these soldiers earn less as a military employee than they earn as a state employee, in many cases they risk loss of economic standing and some even risk losing their homes.

I am proposing that the State of Kansas provide supplemental income to state employees on active duty in connection with Operation Desert Storm. This supplemental income would be the fraction of their state employee income required to be paid on top of their military income to ensure that they do not suffer an overall loss of salary or wage due to military call up.

A tentative estimate from Legislative Research is that several hundred state employees would be helped by this proposal. Many other state employees called to active duty are not financially harmed by the call up and would not qualify for any benefit from this plan.

While there will be some fiscal note to the state, I believe it will be small. Because these soldiers' jobs must be held open for the soldiers upon their return, temporary employees may be hired to fill these vacancies. These temporary employees will not earn as much as the military employees were earning and I believe that savings on salaries and wages will offset the expenditures. This will require a fiscal note from the budget office.

Many private businesses and industries regularly supplement the military pay of their Guard or Reserve employees even during non-combat times - such as annual two-week training. Currently about 200 national corporations are providing similar assistance.

Our military personnel are risking so much and making so many sacrifices, I believe it is only fair that we offer them this financial lifeline.



Jeffrey D. Sonnich, Vice-President

Suite 512  
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February 6, 1991

TO: HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS  
FROM: JEFF SONNICH  
RE: H.B. 2042 (STATE FEE AGENCY ACCOUNTS)

Mr. Chairman. Members of the Committee. 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. 2042 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 November, 1990, all of which are with commercial banks.

Passage of this bill would end a discriminatory practice whereby only commercial banks are authorized to hold these fee agency accounts. Past arguments against the passage of this bill centered around the financial security of the FSLIC and the lower capital requirements of savings and loans and savings banks. These arguments have served more to confuse than inform the committee and removed the focus from the real issue.....are the deposits safe? Any deposits above the insured amount must be secured by pledge securities to be held by the treasurer, an approved bank, the Federal Reserve of Kansas City, or the Federal Home Loan Bank of Topeka.

Why amend the statute? The Kansas-Nebraska League of Savings Institutions feels that the question comes down to one of parity. If the provisions of H.B. 2042 require equal protection to these public funds by Kansas savings institutions and Kansas banks then why should not Kansas savings institutions be allowed to make their facilities, services, and rates available on a competitive basis to these State fee agencies?

Pensions, Investments & Benefits  
Attachment #2  
2-6-91



House Committee on Pensions, Investments and Benefits

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February 6, 1991

Certainly in an era of budgetary constraints State agencies are cognizant of how their funds are invested. Passage of this bill would, in certain circumstances, create a competitive atmosphere whereby State fee agencies would benefit by receiving the highest possible bids for their money.

I'd like to share with you an example that points to the inequity of the current statute. A national bank located in a university town held a substantial quantity of the university's fee funds. In October of 1986 the institution changed its charter from a national bank to a federal savings bank. They changed no personnel, continued a strong capital position, and their philosophy of business did not change. However, by virtue of the statute they could no longer bid on those funds. This institution was an aggressive bidder for the university's fee accounts and offered an attractive rate of return and favorable servicing fees.

In 1986 the Kansas 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. Although there was some concern that a dramatic shift of these funds would occur, that has not been the case. We expect the same will hold true for fee agency accounts if the provisions of H.B. 2042 are enacted. Nevertheless we feel an opportunity should exist for those instances where competitive bidding would provide for better interest rates and better service to the fee agency. H.B. 2042 would provide that opportunity.

We anticipate that the Kansas Bankers Association will offer an amendment to the bill that will require savings institutions who bid on and hold State fee funds to meet the minimum capital requirement set by the Office of the Comptroller of Currency (OCC). While we don't necessarily oppose this type of amendment we would point out that Congress, in the 1989 FIRREA legislation, allowed for a four year phase-in for S&Ls to achieve commercial bank capital standards.

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

Accordingly, we would request that the House Committee on Pensions, Investments and Benefits report H.B. 2042 favorably for passage.

Jeffrey Sonnich, Vice President  
Kansas-Nebraska League of Savings Institutions

FEE ACCOUNTS

Atchison County:

Atchison

City National 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 Correctional Facility Fee  
Citizens State Bank  
Winfield State Hospital 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



Douglas County:

Lawrence

The Bank of Kansas/Lawrence  
Wildlife & Parks, Clinton State Park Fee  
First National Bank  
The University of Kansas Fee  
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

Bank IV Garden City, N.A.  
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 K.C., Olathe, Lenexa Branch  
Wildlife & Parks Fee  
Country Hill Bank  
Dept. of Rev., Dr. License Exam Dist #3 Fee

Olathe

Bank IV Kansas City, N.A.  
S. R. S. Fee  
First National Bank  
School for the Deaf Fee  
The Olathe 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

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

Leavenworth County:

Lansing

First State Bank  
Lansing Correctional Facility Fee

Leavenworth

First National Bank  
S. R. S. Fee  
Manufacturers State Bank  
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  
First National Bank  
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

Bank IV McPherson, N.A.  
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

Independence

Citadel Bank  
S. R. S. Fee  
Citizens National Bank  
Wildlife & Parks, Elk City State Park Fee  
Dept. of Rev., Dr. License Exam Dist #13 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

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.  
Hutch Correctional Facility Fee  
Kansas State Fair Fee  
Kansas State Fair Special Cash Fund Fee  
Kansas State Fair Non Fair Days Events Fee  
First National Bank  
S. R. S. 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

Rooks County:

Stockton

Stockton National Bank  
Wildlife & Parks, Webster State Park Fee  
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  
Univ. of Ks., Kansas Geological Survey Fee  
City Bank & Trust  
Dept. of Rev., Drivers License Exam Dist 22 Fee  
Emprise Bank  
State Board of Optometry Examiners Fee  
Dept. of Rev., Drivers License Exam Dist 23 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

Shawnee County:

Topeka

Commerce Bank & Trust  
Dept. of Rev., Dr. License Exam Dist #7 Fee  
Dept. of Rev., Motor Carrier Permit & License Fee  
Fidelity State Bank & Trust  
Wildlife & Parks, N. E. Regional Office Fee  
Secretary of State Fee (Credit Card Account)  
Dept. of Human Resources Fee (Credit Card Account)

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  
First State Bank  
Rainbow Mental Health Facility Fee  
Guaranty Bank  
KHP, Motor Carrier Insp. #5A Fee  
School for the Visually Handicapped Fee  
Twin City State Bank  
K. U. Medical Center Fee  
Commercial National Bank  
Dept. of Rev., K.C. Regional Office Fee

163 Fee Accounts as of November, 1990



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

February 6, 1991

TO: House Committee on Pensions, Investments and Benefits  
RE: **HB 2042** - State Fee Agency Accounts

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss with the Committee the provisions of **HB 2042** 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 Pooled Money Investment Board (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).

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Pensions, Investments & Benefits  
Attachment #3  
2-6-91

FIRREA 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 2042** be further amended to require that such institutions must meet the minimum capital requirements for a commercial bank as required by the Federal Deposit Insurance Corporation. Such an amendment would restrict the bidding to those S&Ls and savings banks with capital (or net worth) equal to that of 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 in excess of 9%.

If the committee would adopt such an amendment, the KBA would not object to the passage of **HB 2042**. 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

## Summary of Bank Capital Standards

Capital adequacy is recognized as one of the critical factors analyzed by regulators when evaluating the safety and soundness of any financial institution.

Banks currently must comply with two separate standards for measuring adequacy of capital: the leverage ratio and risk-based capital.

For years, banks have been required to maintain a certain level of capital-to-total assets leverage ratio. This minimum capital level has just recently been reset at 3% - that is, a bank is required to hold 3% of capital to total assets. This 3% minimum applies only to the most highly rated institutions (those receiving a CAMEL rating of 1), that are not experiencing or expecting significant growth. All other institutions are required to meet a minimum leverage level of 4-5%.

Risk-based capital is a fairly new phenomenon which ties capital requirements to the riskiness of a particular bank's assets and off-balance sheet activities.

Assets are placed into one of four risk categories, based on that asset's credit risk. For example, assets in the 0% risk category, such as cash, have **no** credit risk and therefore require **no** capital. Capital is required for the remaining risk categories - 20%, 50% or 100%, depending on the credit risk of that asset.

Banks must have total capital equaling or exceeding 7.25% of the risk-weighted assets for that bank (this percentage increases to 8% by December 31, 1992).

Remember these are minimum standards and most banks will and do operate at capital levels well above the minimums.

**Requirements:** Leverage Ratio - 3% minimum for CAMEL 1 banks  
4-5% for all other banks

Risk-based - 7.25% of risk-weighted assets  
8% after 12-31-92

**PROPOSED AMENDMENT TO  
HOUSE BILL 2042**

Sec. 2. K.S.A. 75-4214 is hereby amended to read as follows:

(c) To be eligible to hold a fee agency account as stated under subparagraphs (a) and (b) above, any such designated bank, savings bank or savings and loan association must meet the minimum capital requirements for a commercial bank as required by the Federal Deposit Insurance Corporation.

(The former subparagraph (c), becomes (d).)