

Approved April 12, 1991

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson at 11:06 a.m. on March 18, 1991, in Room 123-S of the Capitol.

All members were present except:

Committee staff present:

Diane Duffy, Legislative Research Department  
Norm Furse, Revisors' Office  
Judy Bromich, Administrative Assistant  
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Steven Davies, Secretary, Department of Corrections  
Charles Simmons, Chief Legal Counsel, Department of Corrections  
Jeff Sonnich, Vice President, Kansas-Nebraska League of Savings Institutions  
Jim Maag, Kansas Bankers' Association  
Judge William Carpenter, President, Kansas District Judges' Association  
Paull Shelby, Assistant Judicial Administrator, Office of Judicial Administration  
Herbert Walton, District Judge, Johnson County  
Ron Smith, Kansas Bar Association

SB 364 - State correctional institutions, consolidations and name changes

Steven Davies appeared before the Committee in support of SB 364 and reviewed Attachment 1.

SB 369 - Imprest funds for new and renamed state correctional institutions and facilities

Attachment 2 was distributed and reviewed by Chuck Simmons, who testified in support of SB 369.

HB 2042 - Savings banks and savings and loan associations allowed to bid on certain active accounts

Jeff Sonnich appeared before the Committee in support of HB 2042 and reviewed Attachment 3. In answer to a question, he stated that banks and savings and loan associations would have the same capital requirements under provisions of this bill.

Jim Maag reviewed Attachment 4, and noted that Kansas Bankers' Association had no objection to the passage of HB 2042 as amended. In answer to a question, he stated that Kansas banks statewide have in excess of 9% capital. The national average is 6%.

SB 257 - Percentage increases in annual salaries of justices and judges

Judge William Carpenter appeared before the Committee in support of SB 257 and reviewed Attachment 5. Staff noted that elected officials and judges automatically receive COLA only (not step movement); Regents' unclassified receive whatever the Legislature appropriates. Judge Carpenter stated that the Judges' Association anticipates that there may be no pay increases at all because of the state's financial crisis, but passage of this legislation would deal with the problem of judges' salaries eroding in terms of cost of living.

In answer to a question, Judge Carpenter stated that there are 7 vacancies out of 150 positions (excluding judges) in the Shawnee County Court House.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, March 18, 1991.

He noted that the judges are struggling with a plan to deal with possible further cuts, which, if they occur, will jeopardize efficiency in the clerks' office.

Judge Carpenter, in response to Senator Salisbury's question, stated that he personally believed that maximum flexibility in the court system is needed to insure maximum efficiency, and that all barriers to the court system having full control to move positions anywhere should be removed from the books. He said that the Executive Committee passed a resolution supporting the most efficient allocation of judicial resources and any legislative decisions necessary to accomplish that.

Judge Herbert Walton appeared before the Committee in support of SB 257 and distributed Attachment 6. In answer to a question, he stated that Johnson County Court House has 10.5 vacancies including the chief clerk and the chief deputy clerk. He noted that 28 more staff persons are needed to adequately handle the caseload.

Paul Shelby distributed and reviewed Attachment 7 in support of SB 257.

Ron Smith appeared before the Committee in support of SB 257.

Senator Doyen moved, Senator Gaines seconded, the approval of the February 28, March 1, and March 4, 1991 minutes. The motion carried.

It was moved by Senator Brady, seconded by Senator Feleciano, that SB 364 be recommended favorable for passage and be placed on the consent calendar. The motion carried on a roll call vote.

Senator Doyen moved, Senator Feleciano seconded, that SB 369 be amended by reducing the imprest fund account of the Larned facility from \$15,000. to \$5,000. The motion carried.

Senator Hayden moved, Senator Feleciano seconded, that SB 369 as amended be recommended favorable for passage. The motion carried on a roll call vote.

It was moved by Senator Brady, seconded by Senator Rock that HB 2042 be recommended favorable for passage. The motion carried on a roll call vote.

The Chairman noted that SB 257 would be held for further consideration.

INTRODUCTION OF BILLS

Senator Allen moved, Senator Feleciano seconded, the introduction of bill draft 1 RS 1342 - an act directing the secretary of social and rehabilitation services to convey certain state property to the city of Topeka, Kansas. The motion carried.

Senator Winter moved, Senator Feleciano seconded, the introduction of bill draft 1 RS 1316 - An act enacting the Kansas ethnic minority fellowship program. The motion carried.

The meeting was adjourned by the Chairman at 11:57 a.m.



STATE OF KANSAS



DEPARTMENT OF CORRECTIONS

OFFICE OF THE SECRETARY

Landon State Office Building  
900 S.W. Jackson—Suite 400-N  
Topeka, Kansas 66612-1284  
(913) 296-3317

Joan Finney  
Governor

Steven J. Davies, Ph.D.  
Secretary

To: Senate Ways and Means Committee  
From: Steven J. Davies, Ph.D.  
Secretary of Corrections  
Re: Senate Bill No. 364  
Date: March 18, 1991

Senate Bill 364 would authorize the consolidation of Hutchinson Correctional Work Facility with the Hutchinson Correctional Facility and the consolidation of Topeka Correctional Facility - West with the Topeka Correctional Facility - East.

Both consolidations have already been made administratively. However, since the facilities are specifically set forth in statute, legislative action to authorize the consolidation is necessary.

The consolidations are intended to increase efficiency of operations and result in better management of the facilities.

Similar consolidations for several other facilities were authorized last session when S.B. 748 was enacted. The consolidations in S.B. 364 are a further extension of that policy.

SWAM

March 18, 1991

Attachment 1



STATE OF KANSAS



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900 S.W. Jackson—Suite 400-N  
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Steven J. Davies, Ph.D.  
Secretary

To: Senate Ways and Means Committee  
From: Steven J. Davies, Ph.D.  
Secretary of Corrections  
Re: Senate Bill No. 369  
Date: March 18, 1991

Senate Bill No. 369 would adjust balances in imprest fund accounts for several correctional facilities. These adjustments are due to facility consolidations. In addition, imprest funds for the new facilities at El Dorado and Larned are established.

With respect to the Larned facility, based on further evaluation of operations at that facility, we believe the imprest fund account should be reduced from \$15,000.00 to \$5,000.00. This is expected to be sufficient for the anticipated inmate earnings and inmates released from that facility.

It is urged that the legislature take favorable action on S.B. 369 after amending the bill as suggested herein.

SWAM  
March 18, 1991  
Attachment 2



**Kansas-Nebraska  
League of  
Savings  
Institutions**

Jeffrey D. Sonnich, Vice-President

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

March 18, 1991

TO: SENATE COMMITTEE ON WAYS AND MEANS  
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 Senate Committee on Ways and Means, 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. The bill contains the appropriate safeguards to insure that the deposits are safe. All accounts would be insured by the FDIC up to \$100 thousand. 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?

SWAM  
March 18, 1991  
Attachment 3





Senate Committee on Ways and Means  
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March 18, 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.

The House Committee on Pensions, Investments and Benefits amended H.B. 2042 prior to recommending it for favorable passage. The amendment would require that all banks, savings banks and savings and loans meet the minimum bank capital standards set by the FDIC prior to holding these accounts. The House Committee on Appropriations also held hearings on the bill and recommended the bill favorably. The bill was passed by the House on a 118-0 vote.

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 Senate Committee on Ways and Means report H.B. 2042 favorably for passage.

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

JS:bw



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

March 18, 1991

TO: Senate Committee on Ways & Means  
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 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).

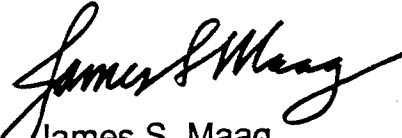
*SWAM*  
*March 18, 1991*  
*Attachment 4*



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. That is why the KBA requested the amendment to **HB 2042** which was adopted by the House Committee on Pensions and Investments.

That amendment restricts 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. Those requirements are shown on the attached sheet. An analysis of Kansas banks holding state fee agency accounts last year showed an average capital ratio in excess of 9%.

The KBA has no objection to the passage of **HB 2042** as amended. Again, we appreciate the opportunity to discuss this 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

**TESTIMONY**  
**OF**  
**JUDGE WILLIAM CARPENTER**  
**PRESIDENT**  
**OF**  
**THE KANSAS**  
**DISTRICT JUDGES ASSOCIATION**

**BEFORE THE**  
**SENATE**  
**WAYS AND MEANS**  
**COMMITTEE**

**MARCH 18, 1991**

**RE: SB 257**

*SWAM*  
*March 18, 1991*  
*Attachment 5*

Chairman Bogina and Members of the Ways and Means Committee:

I am Bill Carpenter, President of the Kansas District Judges Association. I am appearing today on behalf of the Kansas District Judges Association in regard to SB 257.

In particular, we are asking you to remedy an annual problem regarding judges' salaries by endorsing and passing SB 257 favorably from this committee.

The annual funding problem for judges' salaries is caused by the fact that while we are full-time career state employees, we are not on a pay plan. Historically, our salaries were set by statute requiring action each year by the Legislature to change them. A few years ago, in an attempt to partially remedy this situation, the Legislature adopted K.S.A. 75-3120(1) which guaranteed judges and other elected officials at least any cost-of-living increase given to state classified employees. However, this statute had the opposite effect of restricting our annual salary increases to a cost-of-living component only, unless the Legislature took further action.

This dilemma has caused us each year to appear before you to seek the addition of the necessary funds to give us equity with the rest of the state work force.



We are urging this year that you adopt SB 257 to resolve this problem. SB 257 would permanently cure this problem and avoid requiring the judges to come to the Legislature every year to seek equity with other state employees in salary increases. This bill simply declares that every year full-time judges receive the average increase which all other state employees receive.

We have not included other elected officials in this bill draft, but have no objection to the Legislature treating them in a similar fashion. We did not include them because most judges are full-time career employees who intend to serve until retirement.

For these reasons, we urge your favorable action on SB 257.

We thank you for the opportunity to testify and we are available to answer any questions that you might have.



STATE OF KANSAS  
TENTH JUDICIAL DISTRICT

March 18, 1991

HERBERT W. WALTON  
DISTRICT JUDGE, DIVISION NO. 1  
JOHNSON COUNTY COURTHOUSE  
OLATHE, KANSAS 66061

CYNTHIA S. NEWMAN  
ADMINISTRATIVE ASSISTANT

AMY BLOSSER, C.S.R.  
OFFICIAL COURT REPORTER

(913) 782-5000 EXT. 5460

Senator August Bogina, Jr.  
Chairman, Senate Ways & Means Committee  
Kansas State Senate  
State Capital  
Topeka, Kansas

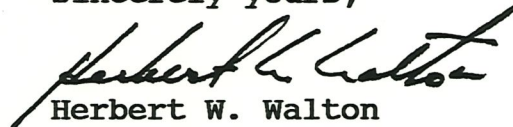
In Re: Senate Bill 257.

Dear Senator Bogina:

Attached please find a document signed by all 16 District Judges of Johnson County, Kansas favoring passage of SB 257. The reasons for the view are set forth in the document. Essentially, the judges believe that employees of the judicial branch of state government should be treated in the same fashion as other state employees. We urge passage of the above bill.

With kindest regards, I remain,

Sincerely yours,

  
Herbert W. Walton

HWW:ms  
Attachments

SWAM  
March 18, 1991  
Attachment 6

Senator August Bogina, Jr.  
Chairman, Ways and Means Committee of the Kansas Senate

From: Judges of the District Court of Johnson County, Kansas



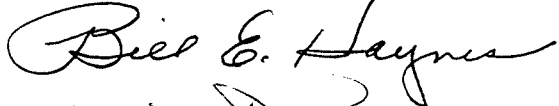



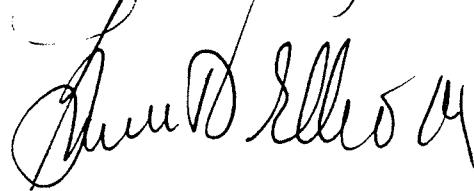
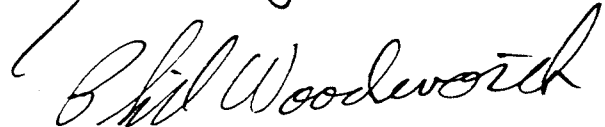
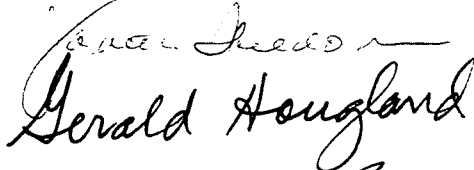
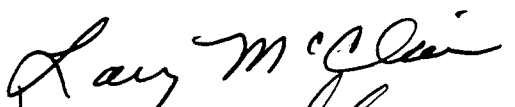
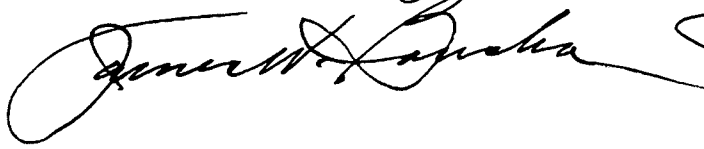


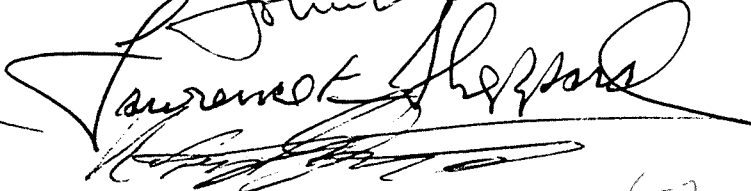
HISTORY:

K.S.A. 75-3120L was enacted in the 1980 legislative session with a delayed effective date and is commonly referred to as the COLA law for judicial officers. The Kansas District Judges' Association began to review the operation of the statute in the late 1980's and found that it was not operating as originally intended; the Judges' Association proposed modification in the 1990 session (S.B. #677) and again in the 1991 session (S.B. #257).

PRESENT AND FUTURE:

Passage of S.B. #257 is essential in maintaining the current compensation levels while we endeavor to present a plan to attain the National Median salary level for our trial judges. The long range planning committee of the District Judges' Association is currently working on a plan to attain the National Median salary by the start of FY-94.

We ask for your support for S.B. #257 and continued advocacy for the goal of National Median salary level.

Senate Bill No. 257  
Senate Ways and Means Committee  
March 18, 1991

Testimony of Paul Shelby  
Assistant Judicial Administrator  
Office of Judicial Administration

Mr. Chairman:

I appreciate the opportunity to appear before you today on Senate Bill No. 257 which amends K.S.A. 75-31201, the cost of living allowance statute for Judges.

This bill amends a provision of the law which awards to judicial officers of the State the same cost of living raise which is to be provided to State civil service classified employees.

The amendment adds an amount to the automatic escalator to simulate the average step movement increase provided by the Legislature to the State civil service classified employees which is presently 2.5%.

The main provisions of the bill appear on Page 2; (1) allows our judicial officers to receive a cost of living allowance as now authorized by the Legislature and (2) would add an average step movement increase as determined by the Secretary of Administration.

Using the Governor's recommendation of a cost of living adjustment effective for half a year and the current classified pay plan which has an average difference between steps of 2.5%, the fiscal impact for FY1992 would be \$193,824 from the State General Fund.

There will be 17 appellate court, 148 district, and 70 district magistrate judges affected by passage of this bill.

The Chief Justice, members of the Supreme Court and our office support this proposal as a means of treating all officers and employees who receive pay from the state equally. We urge this committee to favorably pass this measure.

SWAM  
March 18,  
Attachment 7