

Approved 3-31-92
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 ~~xm~~p.m. on March 26, 1992 in room 527-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Brad Bergman, Kansas Trust Company

The Chairperson called the meeting to order at 3:30 P.M. and opened the hearing on SB 510.

Brad Bergman, Kansas Trust Company, Prairie Village, testified in support of SB 510 stating the statute establishes certain standards for investments by fiduciaries. The bill would allow a bank, trust company, or an affiliate of a bank or trust company to render investment advice or counselling services to investors in its own open or closed end management investment company (mutual fund) or its investment trust for a fee so long as the bank, trust company or an affiliate has no investment or reinvestment in the securities of the mutual fund or trust.

Jim Maag, Executive Director, Kansas Bankers Association, stated the KBA and the Kansas Banking Department did an extensive study and both support SB 510.

The hearing was closed on SB 510.

After discussion, Representative Graeber moved and Representative King seconded that SB 510 be moved out of Committee on to the Consent Calendar. The motion carried.

The Chairperson asked for final action on HB 2321 which would enact a new law to require state agencies and all municipalities which are authorized to issue bonds for their projects or activities to obtain those bond services pursuant to written proposals. The agencies and municipalities would be required to publish a notice of their request for bond services and also to mail requests for proposals to qualified interested parties upon request for such notice. Further, agencies and municipalities must establish written procedures for obtaining the bond services and such procedures must include: specifications for requests for proposals and criteria for evaluating proposals on a competitive bid basis.

The bill would amend K.S.A. 75-3799 by adding subsection (f) which would remove the acquisition of bonding services by agencies and municipalities from the law allowing such acquisitions through negotiation as other types of financial services may be acquired.

Discussion followed: It was stated the Kansas Register is one vehicle of informing bidders.

Bill Caton, Consumer Credit Commissioner, stated the Directory of Bond Council and Bond Underwriters of the Midwest Region would be a better vehicle as any attorney or underwriter could put their name in the Directory. The Kansas Register might limit out-of-state bidders if this alone is used.

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 HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS
room 527-S, Statehouse, at 3:30 ~~xxx~~ p.m. on March 26, 1992

Representative Roy moved and Representative Minor seconded a conceptual motion that the Directory of Bond Council and Bond Underwriters should be the vehicle used for informing bidders. The motion carried.

Representative Shallenburger moved to amend HB 2321 and make applicable to the state only. Representative King seconded the motion.

The Chairman stated if there were abuses, they should be brought under the umbrella.

Representative Shallenburger stated the state should not be spending city or county money. The Legislature should not force them.

Representative Bishop stated that possibly the state could lead by example. The Chairman stated he did not like making mandatory to local governments. It was suggested the Committee accept the amendments, then it could be addressed later if counties and cities should be included.

Representative King stated he did not feel it was necessary. A large number of counties and cities are not involved with this. It is a justified amendment.

The Chairman asked for a vote and the motion carried. Representatives Johnson and Watson wished to be recorded as voting "NO".

Representative Roy moved and Representative Long seconded to move HB 2321 out of committee favorably as amended. The motion carried.

The Chairperson asked for discussion on SB 480 and stated that Sally Thompson, State Treasurer, and KBA compromised on an amendment to SB 480.

Bruce Kinzie, Revisor of Statutes, stated the changes are mostly technical and minor policy changes. (See Attachment 1).

Representative Roy moved and Representative Dillon seconded to accept amendment. (See Attachment 1). The motion carried.

Representative Roy presented an amendment offered by the Post Audit staff. Lines 37 thru 41 were changed as there are no longer internal and external audits as they are accomplished by the state-wide audit.

Sections 9 and 10 should be deleted and new language inserted. (See Attachment 2)

The Chairperson reviewed the Governor's recommendation on SB 480. An Amendment stating, "Investments in securities shall be limited to securities which do not have any more interest rate risk than do direct United States government obligations of similar maturities except for the 10% limitation on MBS. For purposes of this section (paragraph?) interest rate risk means market value changes due to changes in current interest rates." (See Attachment 3). This amendment needs to be inserted in Sec. 1, Sec. 2, and Sec. 15 of SB 480.

Discussion followed and it was explored if the Committee should wait and visit with the Governor to see what she wished.

The Chairperson stated he did not want to make policy on what the Governor will do. The Treasurer wants to get a compromise without watering down the bill. If the Governor accepts with amendments it is her decision.

Representative Roy moved and Representative Teagarden seconded to accept the amendment. (See Attachment 3).

Bruce Kinzie, Revisor of Statutes, reviewed the balloon presented by the Secretary of Administration. On Page 14 add, "Such investment policy shall specify when or under what circumstances securities may be disposed of

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS,
room 527-S, Statehouse, at 3:30 ~~am~~/p.m. on March 26, 1992, 19

prior to maturity." The Chairperson asked for a vote, the motion carried.
(See Attachment #4).

Representative Shallenburger and Representative Long seconded to adopt paragraph (s) of the balloon.

There was discussion that stated it was non-existent - not explicit guarantees. This would water down the bill and limit purchases of investments if agencies is taken out. This limits what states can invest in. This only applies to state funds.

After discussion there was a vote and the motion failed.

Representative Roy moved and Representative Teagarden seconded that on page 22, line 24, \$10,000,000 being changed to \$500,000,000 should be addressed in an exempt committee to see if the amount should be changed. The motion carried. It was further moved that if the exempt committee does not change then it will be accepted as is. The motion carried.

There was discussion on the amendment "at the pleasure of the governor" on page 30. There was a problem with this as could be a new Treasurer and an all new Board and the Legislature is responsible. It was felt a 4 member board was more appropriate.

On page 34 which is just clarification amendments were discussed. Representative Shallenburger moved and Representative Johnson seconded to accept the amendment. The motion carried.

The Chairperson asked if there were any Committee Amendments.

Representative Shallenburger stated he had a problem with a four year investment. Trends go both ways.

Representative Shallenburger moved to change 4 years to 2 years. The motion failed.

The Treasurer stated she would not put all the money in 4 year investments, but it would be spread out. Must manage risk by spreading it out.

It was stated that mortgage backs were the greatest risk.

The Chairperson stated that he was concerned regarding the expertise on the PMIB Board. Is this being addressed?

Representative Graeber offered an amendment to strike all of lines 30 through 33 on page 30 and insert "At least three members appointed to the board shall be persons with no less than 5 years of work experience as an investment or trust officer for a financial institution, association, or corporation or is currently a certified public account or certified financial planner."
(See Attachment 5).

Representative Graeber moved and Representative Teagarden seconded that the amendment be accepted. The motion carried.

Representative Shallenburger moved and Representative Long seconded a conceptual motion that the same ethics that applies to Legislators apply to the PMIB Board as well. The motion carried.

Representative Roy moved that SB 480 be moved out of committee favorably as amended. Representative King seconded the motion and the motion carried.

The Committee adjourned at 5:15 P.M.

Date: 3/26/92

GUEST REGISTER
 HOUSE COMMITTEE COMMERCIAL & FINANCIAL INSTITUTIONS

NAME	ORGANIZATION	ADDRESS
Chuck Stoner	KBA	Topeka
Bill Cator	KDFA	Topeka
Jim May	KBA	"
Lynn McGill	CBA	"
Robert Hauke	Ks. Audit Consulting	"
Catherine Hildeman	City of Wichita	Wichita
Anne Smith	Ks. Assoc. of Counties	Topeka
Willie Martin	Sedgewick County	Wichita
GERRY RAY	Johnson County	Olathe
Kevin Denckering	Ks. Banking Dept.	Topeka
Judi Stork	✓	✓
RANDY TONIGER	POST AUDIT	TOPEKA
Art Griggs	Dept. of Adm	Topeka
Jefune Simon	Treasurer	Topeka
Whitney Dawson	Pete McMill & Associates	Topeka

[As Amended by Senate Committee of the Whole]

As Amended by Senate Committee

Session of 1992

SENATE BILL No. 480

By Committee on Legislative Budget

Re Proposal No. 17

12-23

13 AN ACT relating to the investment of public funds; providing for
14 the investment thereof; creating the municipal investment
15 pool; amending K.S.A. 9-1402, 12-1675, 68-2060, 75-3676, 75-
16 3679, 75-4202, 75-4205, 75-4208, 75-4209, 75-4210, 75-4212a, 75-
17 4213, 75-4221a, 75-4226, 75-52,120, 76-829 and 82a-1369 and
18 K.S.A. 1991 Supp. 68-415, 75-4201, 75-4218 and 75-52,130 and
19 repealing the existing sections; also repealing K.S.A. 75-4206, 75-
20 4207, 75-4211, 75-4212, 75-5341 and 75-5342.

75-4224,

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22 *Be it enacted by the Legislature of the State of Kansas:*

23 New Section 1. (a) Moneys deposited by any municipality
24 with the state treasurer for investment authorized in paragraph
25 (6) of subsection (b) of K.S.A. 12-1675, and amendments thereto,
26 shall be deposited in the municipal investment pool fund which
27 is hereby created in the state treasury.

28 (b) The pooled money investment board may invest and
29 reinvest moneys in the municipal investment pool fund in the
30 following investments:

31 (1) Direct obligations of the United States government or
32 any agency thereof;

33 (2) obligations of federal agencies or government sponsored
34 enterprises, except that not more than 10% of the moneys avail-
35 able for investment under this paragraph shall be invested in
36 mortgage backed securities;

37 (3) interest-bearing time deposits in any of the following,
38 which is doing business within the state of Kansas, any state
39 or national bank, state or federally chartered savings and loan
40 association, or federally chartered savings bank; or

41 (4) repurchase agreements for securities described in par-
42 agraph (1) or (2).

43 (e) All interest earnings received from investments of money

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1 in the municipal investment pool fund shall be credited to the
2 municipal investment pool fund. Interest earnings on invest-
3 ments due each participating municipality shall be prorated
4 and credited to the individual account of the municipalities,
5 maintained by the state treasurer. A statement for each mu-
6 nicipality participating unit account showing deposits, with-
7 draws and earnings distributions shall be provided
8 periodically to the municipality.

9 (d) The state treasurer may assess reasonable charges not
10 to exceed 1% of the interest earned against the fund for re-
11 imbursement of expenses incurred in administering the fund.
12 The state treasurer shall certify, periodically, the amount of the
13 assessment and only the director of accounts and reports shall
14 transfer the amount certified from the municipal investment
15 pool fund to the municipal investment pool fund fee fund,
16 which is hereby created. All expenditures from the municipal
17 investment pool fund fee fund shall be made in accordance
18 with appropriation acts upon warrants of the director of ac-
19 counts and reports issued pursuant to vouchers approved by
20 the state treasurer or a person or persons designated by the
21 state treasurer.

22 (e) The state treasurer may adopt rules and regulations nec-
23 essary to carry out the provisions of this act and may enter into
24 agreements with any municipality as to methods of deposits,
25 withdrawals and investments.

26 New Sec. 2. (a) The governing body of any city or county
27 which has a written investment policy approved by the gov-
28 erning body of such city or county and approved by the pooled
29 money investment board may invest and reinvest in the fol-
30 lowing investments:

31 (1) Direct obligations of the United States government or
32 any agency thereof;

33 (2) obligations of federal agencies or government sponsored
34 enterprises; except that not more than 10% of the moneys avail-
35 able for investment under this subsection shall be invested in
36 mortgage backed securities;

37 (3) interest-bearing time deposits in any of the following,
38 which is doing business within the state of Kansas; any state
39 or national bank, state or federally chartered savings and loan
40 association; or federally chartered savings bank; or

41 (4) repurchase agreements for securities described in par-
42 agraph (1) or (2);

43 (b) The investment policy of any city or county approved

1 by the pooled money investment board under this section shall
2 be reviewed and approved annually by such board or when
3 such city or county makes changes in such investment policy.

4 ~~New Section 1. (a) Moneys deposited by any municipality being~~
5 ~~only such an entity as is specified in subsection (a) of K.S.A. 12-~~
6 ~~1675 and amendments thereto,~~ with the state treasurer for investment
7 authorized in paragraph (6) of subsection (b) of K.S.A. 12-1675, and
8 amendments thereto, shall be deposited in the municipal investment
9 pool fund which is hereby created in the state treasury.

10 (b) The pooled money investment board may invest and reinvest
11 moneys in the municipal investment pool fund in the following
12 investments:

13 (1) Direct obligations of, or obligations that are insured as to
14 principal and interest by, the United States of America or any agency
15 thereof and obligations and securities of United States sponsored
16 enterprises which under federal law may be accepted as security for
17 public funds, except that not more than 10% of the moneys available
18 for investment under this subsection ~~shall~~ be invested in mortgage
19 backed securities of such enterprises and of the government national
20 mortgage association; may

21 (2) interest-bearing time deposits in any of the following, which
22 is doing business within the state of Kansas, any state or national
23 bank, state or federally chartered savings and loan association, or
24 federally chartered savings bank; or

25 (3) repurchase agreements of less than 30 days' duration with a Kansas
26 Kansas bank, ~~savings and loan association, a federally chartered~~ having an office or offices in the state of Kansas
27 savings bank ~~or with a primary government securities dealer which~~ accounts
28 reports to the market reports division of the federal reserve bank
29 of New York for direct obligations of, or obligations that are insured
30 as to principal and interest by, the United States government or any
31 agency thereof and obligations and securities of United States gov-
32 ernment sponsored enterprises which under federal law may be ac-
33 cepted as security for public funds.

34 (c) All interest earnings received from investments of money in
35 the municipal investment pool fund shall be credited to the municipal
36 investment pool fund. Interest earnings experienced by the fund on
37 investments attributable to each participating municipality shall be
38 prorated and applied to the individual ~~account~~ of the municipalities, maintained by the state treasurer. A statement for each municipality
39 participating unit account showing deposits, withdrawals, earnings
40 and losses distributions shall be provided periodically to the mu-
41 nicipality. The state treasurer shall make comprehensive reports to those summary
42 municipalities, including a ~~recap~~ of transactions for the period as participating in the municipal investment pool
43 fund

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1 well as the current market value of the pool investments.

2 (d) The state treasurer may assess reasonable charges not to
 3 exceed 1% of the interest earned against the fund for reimbursement
 4 of expenses incurred in administering the fund. The state treasurer
 5 shall certify, periodically, the amount of the assessment and the
 6 director of accounts and reports shall transfer the amount certified
 7 from the municipal investment pool fund to the municipal investment
 8 pool fund fee fund, which is hereby created. All expenditures from
 9 the municipal investment pool fund fee fund shall be made in ac-
 10 cordance with appropriation acts upon warrants of the director of
 11 accounts and reports issued pursuant to vouchers approved by the
 12 state treasurer or a person or persons designated by the state treas-
 13 urer. Amounts of gains realized on disposition of investments of the
 14 municipal investment pool fund shall be periodically certified by the
 15 state treasurer, and the director of accounts and reports shall trans-
 16 fer the amount certified from the municipal investment pool fund to
 17 the municipal investment pool reserve fund which is hereby created
 18 in the state treasury. The state treasurer shall make a determination
 19 of the amount needed for a reserve for possible losses to the mu-
 20 nicipal investment pool fund and shall certify periodically such
 21 amount, and the director of accounts and reports shall transfer the
 22 amount so certified from the municipal investment pool fund fee
 23 fund to the municipal investment pool reserve fund. If the state
 24 treasurer makes a determination that significant losses or gains have
 25 occurred to the municipal investment pool fund, the state treasurer
 26 shall certify the amount thereof to the director of accounts and
 27 reports, and the director of accounts and reports shall transfer the
 28 amount so certified from the municipal investment pool reserve fund
 29 to the municipal investment pool fund.

30 (e) The state treasurer may adopt rules and regulations necessary
 31 to carry out the provisions of this ~~act~~ and may enter into agreements
 32 with any municipality as to methods of deposits, withdrawals and
 33 investments.

section

34 (f) Investments under paragraphs (1) and (2) of subsection (b)
 35 shall be for a period of not to exceed four years, except for mortgage
 36 backed securities.

37 (g) Internal and external audit reports shall include audit of
 38 transactions, safekeeping receipts and confirmations. A performance
 39 audit of the pool shall be contracted for at least once every two
 40 years. An audit by legislative post audit shall be made not later than
 41 two years after the effective date of this act.

fund

42 (h) Deposits in the municipal investment pool ~~may only be made~~
 43 for the same ~~period before~~ maturity as the ~~period before~~ maturity

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1 which is offered under paragraphs (2) and (3) of subsection (b) of
2 K.S.A. 12-1675 and amendments thereto.

3 (i) Moneys and investments in the municipal investment pool shall
4 be managed by the pooled money investment board in accordance
5 with investment policies provided by law and by rules and regulations
6 of such board. The pooled money investment board shall not contract
7 for management of investments by a money manager.

fund

(j) For the purpose of this section,
"municipality" means those entities specified
in subsection (a) of K.S.A. 12-1675, and
amendments thereto.

8 New Sec. 2. (a) The governing body of any city or county which
9 has a written investment policy approved by the governing body of
10 such city or county and approved by the pooled money investment
11 board may invest and reinvest in the following investments:

pursuant to the approved investment policy

12 (1) Direct obligations of, or obligations that are insured as to
13 principal and interest by, the United States of America or any agency
14 thereof and obligations and securities of United States sponsored
15 enterprises which under federal law may be accepted as security for
16 public funds, except that not more than 10% of the moneys available
17 for investment under this subsection shall be invested in mortgage
18 backed securities of such enterprises and of the government national
19 mortgage association;

, as authorized under paragraph (7) of
subsection (b) of K.S.A. 12-1675; and
amendments thereto

may

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20 (2) interest-bearing time deposits in any of the following, which
21 is doing business within the state of Kansas, any state or national
22 bank, state or federally chartered savings and loan association, or
23 federally chartered savings bank; or

24 (3) repurchase agreements of less than 30 days' duration with a
25 Kansas bank, savings and loan association, a federally chartered
26 savings bank or with a primary government securities dealer which
27 reports to the market reports division of the federal reserve bank
28 of New York for direct obligations of, or obligations that are insured
29 as to principal and interest by, the United States government or any
30 agency thereof and obligations and securities of United States gov-
31 ernment sponsored enterprises which under federal law may be ac-
32 cepted as security for public funds.

33 (b) The investment policy of any city or county approved by the
34 pooled money investment board under this section shall be reviewed
35 and approved at least annually by such board or when such city or
36 county makes changes in such investment policy.

37 (c) City and county investment policies shall address liquidity,
38 diversification, safety of principal, yield, maturity and quality, and
39 capability of investment management staff.

40 (d) (1) All security purchases shall occur on a delivery versus
41 payment basis.

42 (2) All securities shall be perfected in the name of the city or
43 county and shall be delivered to the purchaser or a third party

1 *custodian which may be the state treasurer.*

2 (3) *Investment transactions shall only be conducted with the fol-*
 3 *lowing, which is doing business within the state of Kansas, any state*
 4 *or national bank, state or federally chartered savings and loan as-*
 5 *sociation, or federally chartered savings bank; or with primary gov-*
 6 *ernment securities dealers which report to the market report division*
 7 *of the federal reserve bank of New York.*

8 (4) *The maximum maturity for investments under paragraphs (1)*
 9 *and (2) of subsection (a) shall be four years except for mortgage*
 10 *backed securities.*

11 (e) *A city or county which violates subsection (c) or (d) of K.S.A.*
 12 *12-1675 and amendments thereto or the rules and regulations of the*
 13 *pooled money investment board shall forfeit its rights under this*
 14 *section for a two year period and shall be reinstated only after a*
 15 *complete review of its investment policy as provided for in subsection*
 16 *(b). Such forfeiture shall be determined by the pooled money in-*
 17 *vestment board after notice and opportunity to be heard in accor-*
 18 *dance with the Kansas administrative procedure act.*

19 Sec. 3. K.S.A. 12-1675 is hereby amended to read as follows:
 20 12-1675. (a) The governing body of any county, city, township, school
 21 district, area vocational-technical school, community college, fire-
 22 men's relief association, community mental health center, community
 23 facility for the mentally retarded or any other governmental entity,
 24 unit or subdivision in the state of Kansas having authority to receive,
 25 hold and expend public moneys or funds may invest any moneys
 26 which are not immediately required for the purposes for which the
 27 moneys were collected or received, and the investment of which is
 28 not subject to or regulated by any other statute.

29 (b) Such moneys shall be invested only in:

30 (1) *In temporary notes or no-fund warrants issued by such in-*
 31 *vesting governmental unit;*

32 (2) *in time deposit* ~~*[with maturities of not more than two years]*~~
 33 *open accounts or certificates of deposit: (A) In commercial banks*
 34 *which have offices located in such investing governmental unit; or*
 35 *(B) if the office of no commercial bank is located in such investing*
 36 *governmental unit, then in commercial banks which have offices in*
 37 *the county or counties in which all or part of such investing gov-*
 38 *ernmental unit is located; ~~[or (C) if such appropriate eligible com-~~
 39 ~~*mercial banks cannot or will not make deposits available to the*~~
 40 ~~*investing governmental unit at interest rates equal to or greater than*~~
 41 *the average yield before taxes received on ninety-one day*
 42 *United States treasury bills as determined by the federal re-*
 43 *serve banks; as fiscal agents of the United States; at its most**

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 ; or any broker-dealer which is registered
 in compliance with the requirements of
 section 15C of the securities exchange
 act of 1934 and registered pursuant to K.S.A.
 17-1254, and amendments thereto

with maturities of not more than two years

1 recent public offering of such bills prior to the inception of
2 such deposit contract ~~market investment rate, as defined in sub-~~
3 ~~section (k) (1) of K.S.A. 75-4201, and amendments thereto, then in~~
4 ~~commercial banks which have offices in the county or counties of~~
5 ~~the state of Kansas adjacent to the county or counties in which all~~
6 ~~or part of such investing governmental unit is located;~~

7 (3) in time certificates of deposit *with maturities of not more than*
8 *two years:* (A) With state or federally chartered savings and loan
9 associations or federally chartered savings banks which have offices
10 located in such investing governmental unit; or (B) if the office of
11 no state or federally chartered savings and loan association or fed-
12 erally chartered savings bank is located in such governmental unit,
13 then with state or federally chartered savings and loan associations
14 or federally chartered savings banks which have offices in the county
15 or counties in which all or part of such investing governmental unit
16 is located; ~~or (C) if such appropriate eligible state or federally char-~~
17 ~~tered savings and loan associations or federally chartered savings~~
18 ~~banks cannot or will not make such deposits available to the investing~~
19 ~~governmental unit at interest rates equal to or greater than the~~
20 ~~average yield before taxes received on ninety-one day United~~
21 ~~States treasury bills as determined by the federal reserve banks,~~
22 ~~as fiscal agents of the United States, at its most recent public~~
23 ~~offering of such bills prior to the inception of such deposit~~
24 ~~contract market investment rate, as defined in subsection (k) (1) of~~
25 ~~K.S.A. 75-4201, and amendments thereto, then with state or federally~~
26 ~~chartered savings and loan associations or federally chartered savings~~
27 ~~banks which have offices in the county or counties of the state of~~
28 ~~Kansas adjacent to the county or counties in which all or part of~~
29 ~~such investing governmental unit is located;~~

30 (4) in repurchase agreements with: (A) Commercial banks, state
31 or federally chartered savings and loan associations or federally char-
32 tered savings banks which have offices located in such investing
33 governmental unit, for direct obligations of, or obligations that are
34 insured as to principal and interest by, the United States government
35 or any agency thereof; or (B) (i) if the office of no commercial bank,
36 state or federally chartered savings and loan association or federally
37 chartered savings bank is located in such investing governmental
38 unit; or (ii) if no commercial bank, state or federally chartered savings
39 and loan association or federally chartered savings bank has an office
40 located in such investing governmental unit is willing to enter into
41 such an agreement with the investing governmental unit at an in-
42 terest rate equal to or higher than a rate equal to two percentage
43 points below the average yield before taxes received on ninety-

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1 one day United States treasury bills as determined by the fed-
 2 eral reserve banks, as fiscal agents of the United States, at its
 3 most recent offering of such bills prior to the inception of such
 4 contract *greater than the market investment rate, as defined in*
 5 *subsection (k) (1) of K.S.A. 75-4201, and amendments thereto*, then
 6 such repurchase agreements may be entered into with commercial
 7 banks, state or federally chartered savings and loan associations or
 8 federally chartered savings banks which have offices in the county
 9 or counties in which all or part of such investing governmental unit
 10 is located; or (C) if no bank, state or federally chartered savings and
 11 loan association or federally chartered savings bank which has its
 12 office in such county or counties is willing to enter into such an
 13 agreement with the investing governmental unit at an interest rate
 14 equal to or higher than a rate equal to two percentage points
 15 below the average yield before taxes received on ninety-one
 16 day United States treasury bills as determined by the federal
 17 reserve banks, as fiscal agents of the United States, at its most
 18 recent offering of such bills prior to the inception of such
 19 contract *greater than the market investment rate, as defined in*
 20 *subsection (k) (1) of 75-4201, and amendments thereto*, then such
 21 repurchase agreements may be entered into with commercial banks,
 22 state or federally chartered savings and loan associations or federally
 23 chartered savings banks which have offices in the state of Kansas;
 24 or

25 (5) in United States treasury bills or notes with maturities as the
 26 governing body shall determine, but not exceeding six months two
 27 years;

28 (6) in the municipal investment pool fund established in section
 29 1 of this act;

30 (7) in the investments authorized and in accordance with the
 31 conditions prescribed in section 2 of this act; or

32 (8) with the trust departments of commercial banks which have
 33 offices located in such investing governmental unit or with ~~the~~ trust
 34 department of banks companies which have contracted to provide
 35 trust services under the provisions of K.S.A. 9-2107, and amendments
 36 thereto, with commercial banks which have offices located in ~~such~~
 37 investing governmental unit. Public moneys invested under this par-
 38 agraph shall be secured in the same manner as provided for under
 39 K.S.A. 9-1402, and amendments thereto. Investments of public mon-
 40 eys under this paragraph shall be limited to those investments au-
 41 thorized under subsection (b) of section 1 of this act.

42 (c) The investment investments authorized in paragraph (5) par-
 43 agraphs (5), (6), (7) or (8) of subsection (b) shall be utilized only if

. Such investment transactions shall only be conducted with the following, which is doing business within the state of Kansas, any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank; or with primary government securities dealers which report to the market report division of the federal reserve bank of New York, or any broker-dealer which is registered in compliance with the requirements of section 15C of the securities exchange act of 1934 and registered pursuant to K.S.A. 17-1254, and amendments thereto;

the county or counties in which
 is located

1 the appropriate eligible commercial banks, which have offices located
2 in the investing governmental unit or in the county or counties in
3 which all or a part of such investing governmental unit is located if
4 no such bank has an office which is located within such governmental
5 unit, or the appropriate eligible state or federally chartered savings
6 and loan associations or federally chartered savings banks, which
7 have offices located in the investing governmental unit or in the
8 county or counties in which all or a part of such investing govern-
9 mental unit is located if no such state or federally chartered savings
10 and loan association or federally chartered savings bank has an office
11 which is located within such governmental unit, cannot or will not
12 make the investments authorized in paragraph (2) or (3) of subsection
13 (b) available to the investing governmental unit at interest rates equal
14 to or greater than the average yield before taxes received on
15 ninety-one day United States treasury bills as determined by
16 the federal reserve banks as fiscal agents of the United States
17 at its most recent public offering of such bills prior to the
18 inception of such deposit contract *market investment rate*, as
19 defined in subsection (k) (l) of K.S.A. 75-4201, and amendments
20 thereto.

21) (d) In selecting a depository pursuant to paragraph (2) or (3) of
22 subsection (b), if a commercial bank, state or federally chartered
23 savings and loan association or federally chartered savings bank has
24 an office located in the investing governmental unit and such financial
25 institution will make such deposits available to the investing gov-
26 ernmental unit at interest rates equal to or greater than the average
27 yield before taxes received on ninety-one day United States
28 treasury bills as determined by the federal reserve banks as
29 fiscal agents of the United States, at its most recent public
30 offering of such bills prior to the inception of such deposit
31 contract *market investment rate*, as defined in subsection (k) (l) of
32 K.S.A. 75-4201, and amendments thereto, and such financial insti-
33 tution otherwise qualifies for such deposit, the investing govern-
34 mental unit shall select one or more of such financial institutions for
35 deposit of funds pursuant to this section. If no such financial insti-
36 tution qualifies for such deposits, the investing governmental unit
37 shall select for such deposits one or more commercial banks, state
38 or federally chartered savings and loan associations or federally char-
39 tered savings banks which have offices in the county or counties in
40 which all or a part of such investing governmental unit is located
41 which will make such deposits available to the investing govern-
42 mental unit at interest rates equal to or greater than the average
43 yield before taxes received on ninety-one day United States

1 treasury bills as determined by the federal reserve banks as
2 fiscal agents of the United States, at its most recent public
3 offering of such bills prior to the inception of such deposit
4 contract ~~market~~ investment rate, as defined in subsection (k) (1) of
5 K.S.A. 75-4201, and amendments thereto, and which otherwise qual-
6 ify for such deposits. ~~[If no such financial institution qualifies for such~~
7 ~~deposits, the investing governmental unit may select for such de-~~
8 ~~posits one or more commercial banks, state or federally chartered~~
9 ~~savings and loan associations or federally chartered savings banks~~
10 ~~which have offices in the county or counties of the state of Kansas~~
11 ~~adjacent to the county or counties in which all or a part of the~~
12 ~~investing governmental unit is located.]~~

13 (e) (1) All security purchases shall occur on a delivery versus
14 payment basis.

15 (2) All securities shall be perfected in the name of the investing
16 governmental unit and shall be delivered to the purchaser or a third
17 party custodian which may be the state treasurer.

18 Sec. 4. K.S.A. 1991 Supp. 68-415 is hereby amended to read as
19 follows: 68-415. (a) Whenever any person, firm or any corporation
20 created for the purpose of constructing and maintaining magnetic
21 telegraph or telephone lines or other telecommunication facilities or
22 for the purpose of constructing and maintaining lines for the trans-
23 mission of electric current or for the purpose of transporting oil or
24 gas or water by pipelines, or municipal corporations, shall construct
25 or maintain poles, piers, abutments, pipelines or other fixtures along,
26 upon or across any state highway, such poles, wires, piers, abut-
27 ments, pipelines and other fixtures shall be located upon that part
28 of the right-of-way of the state highway designated by the secretary
29 of transportation. The secretary of transportation may require the
30 removal of such poles, piers, abutments, wires and pipelines and
31 other fixtures upon state highways from any location on the state
32 highways to such part of the right-of-way of the state highways as
33 the secretary of transportation shall designate, and if such person,
34 firm or corporation, upon receiving notice of the requirement of the
35 secretary of transportation that such poles, piers, abutments, wires,
36 pipelines or other fixtures be moved, fails to comply with any such
37 requirement, the secretary of transportation may remove such poles,
38 piers, abutments, wires, pipelines and other fixtures to such place
39 on the right-of-way of the state highways as may be designated by
40 the secretary of transportation, and the cost of such removal shall
41 be paid to the secretary of transportation by such person, firm or
42 corporation upon a statement of cost being furnished to such person,
43 firm or corporation.

1 If such person, firm or corporation refuses to pay the charges, the
2 secretary of transportation shall notify the attorney general, who shall
3 bring suit against such person, firm or corporation in the name of
4 the state to recover the amount. Any amounts received from such
5 persons, firms or corporations shall be deposited in the state treasury
6 and credited to the fund from which the cost of such removal was
7 paid.

8 (b) In addition to the powers provided in subsection (a), the
9 secretary may advance moneys to a public utility or entity when the
10 utilities, structures or facilities of such public utility or entity are
11 being moved, modified or relocated and in the secretary's opinion
12 the expeditious movement, modification or relocation of such utili-
13 ties, structures or facilities, from current or proposed highway right-
14 of-way, is necessitated by a current or proposed highway project.
15 The secretary shall not advance moneys to a public utility or entity,
16 unless such public utility or entity can demonstrate a financial need
17 for the advancement of such moneys.

18 The secretary shall not advance moneys in excess of \$20,000, per
19 project, to any one public utility or entity. Such public utility or
20 entity advanced money by the secretary shall pay interest upon such
21 money at the rate of interest equal to the rate prescribed by K.S.A.
22 75-4210, and amendments thereto, for inactive accounts of the
23 state average yield before taxes received on 91-day United States
24 treasury bills as determined by the federal reserve banks as fiscal
25 agents of the United States at its most recent public offering of such
26 bills in effect on prior to the date of the advancement of such
27 money. The term for the repayment of such money by such public
28 utility or entity shall not exceed 60 months.

29 Nothing in this subsection shall give any public utility or entity
30 any standing on rights of compensation not currently available under
31 law, and all such payments are deemed a matter of legislative policy
32 to rest solely within the discretion of the secretary of transportation
33 for the purpose of expediting the construction, reconstruction or
34 maintenance of the state highway system.

35 The secretary of transportation shall adopt rules and regulations
36 establishing the procedure and criteria for the advancement of mon-
37 eys under the provisions of this subsection.

38 Sec. 5. K.S.A. 68-2060 is hereby amended to read as follows:
39 68-2060. All moneys received pursuant to the authority of this act,
40 whether as proceeds from the sale of bonds or as revenues or oth-
41 erwise, shall be deemed to be trust funds to be held and applied
42 solely as provided in this act. Any officer with whom, or any bank
43 or trust company with which, such moneys shall be deposited shall

1 act as trustee of such moneys and shall hold and apply the same for
2 the purposes hereof, subject to such regulations as this act and the
3 resolution authorizing the bonds or the trust agreement securing
4 such bonds may provide. Trust funds received pursuant to this act
5 may be invested as determined by the authority with banks au-
6 thorized to do business in Kansas at rates of interest not less than
7 ~~that paid on state inactive investment accounts at comparable ma-~~
8 ~~trurities~~ or in direct obligations of the United States or in obligations
9 that are fully guaranteed as to principal and interest by the United
10 States.

11 Sec. 6. K.S.A. 75-3676 is hereby amended to read as follows:
12 75-3676. (a) To provide for the payment of the costs of constructing
13 the facility described in K.S.A. 75-3675, *and amendments thereto*,
14 and expenses related thereto, the pooled money investment board
15 is authorized and directed to loan to the secretary of administration
16 sufficient funds therefor in amounts which in the aggregate do not
17 exceed \$3,856,900. The pooled money investment board is author-
18 ized and directed to use any moneys in the ~~active accounts, in-~~
19 ~~active accounts or time deposits, open accounts operating~~
20 *accounts, investment accounts or other investments*, of the state of
21 Kansas to provide the funds for such loan. Commencing on January
22 1, 1986, such loan shall bear interest at a rate of 8.8% for calendar
23 year 1986; each year thereafter the rate of interest shall be fixed on
24 January 1 of such year at a rate equal to the rate ~~prescribed by~~
25 ~~K.S.A. 75-4210, and amendments thereto, for inactive accounts~~
26 *of the state effective average yield before taxes received on 91-day*
27 *United States treasury bills as determined by the federal reserve*
28 *banks as fiscal agents of the United States at its most recent public*
29 *offering of such bills in effect* on such date. The loan principal and
30 interest thereon shall be payable solely from revenues derived from
31 charges imposed for services performed by the division of printing
32 and credited to the intragovernmental printing service fund, or as
33 otherwise provided by law. Such loan shall not be deemed to be
34 an indebtedness or debt of the state of Kansas within the meaning
35 of section 6 of article 11 of the constitution of the state of Kansas.

36 (b) There is hereby created in the state treasury the state printing
37 plant construction fund. From and after the effective date of this
38 act, the secretary of administration may periodically certify to the
39 pooled money investment board amounts to be transferred pursuant
40 to this subsection. Upon certification to the pooled money investment
41 board by the secretary of administration of the amounts of the loan
42 authorized by subsection (a), the pooled money investment board
43 shall transfer amounts certified by the secretary of administration

the investment rate, as defined in subsection
(1) of K.S.A. 75-4201, and amendments
thereto

1 from the state bank accounts described in subsection (a) to the state
2 printing plant construction fund which in the aggregate do not exceed
3 the amount specified in subsection (a).

4 Sec. 7. K.S.A. 75-3679 is hereby amended to read as follows:
5 75-3679. (a) To provide for the payment of the costs of making
6 renovations to the state-owned Santa Fe building and expenses re-
7 lated thereto, the pooled money investment board is authorized and
8 directed to loan to the secretary of administration sufficient funds
9 therefor in amounts which in the aggregate do not exceed \$4,530,000.
10 The pooled money investment board is authorized and directed to
11 use any moneys in the active accounts, inactive accounts or time
12 deposits, open accounts operating accounts, investment accounts
13 or other investments, of the state of Kansas to provide funds for such
14 loan. Commencing on January 1, 1988, such loan shall bear interest
15 and the rate of interest shall be fixed each January 1 at a rate equal
16 to the rate prescribed by K.S.A. 75-4210 and amendments
17 thereto for inactive accounts of the state effective average yield
18 before taxes received on 91-day United States treasury bills as de-
19 termined by the federal reserve banks as fiscal agents of the United
20 States at its most recent public offering of such bills in effect on
21 such date. The loan principal and interest thereon shall be payable
22 solely from revenues derived from charges imposed pursuant to
23 K.S.A. 75-3651, and amendments thereto, or as otherwise provided
24 by law. Such loan shall not be deemed to be an indebtedness or
25 debt of the state of Kansas within the meaning of section 6 of article
26 11 of the constitution of the state of Kansas.

27 (b) There is hereby created in the state treasury the Santa Fe
28 office building renovation fund. The secretary of administration may
29 periodically certify to the pooled money investment board amounts
30 to be transferred pursuant to this subsection. Upon certification to
31 the pooled money investment board by the secretary of administra-
32 tion of each portion of the loan amount to be transferred, the pooled
33 money investment board shall transfer the amount certified by the
34 secretary of administration from the state bank accounts described
35 in subsection (a) to the Santa Fe office building renovation fund,
36 except that the total of the amounts so certified shall not exceed the
37 loan amount specified in subsection (a).

38 New Sec. 8. *State moneys shall be managed by the pooled money*
39 *investment board in accordance with investment policies provided*
40 *by law and by rules and regulations of such board. The pooled*
41 *money investment board shall not contract for management of in-*
42 *vestments by a money manager.* In administering the functions of
43 the pooled money investment board, the board shall adopt rules and

1 regulations establishing investment policies and procedures. Such
2 policies and procedures shall address liquidity, diversification, safety
3 of principal, yield, maturity and quality and capability of investment
4 management, with primary emphasis on safety and liquidity. Such
5 investment policies and procedures shall be reviewed annually by
6 the pooled money investment board.

7 New Sec. 9. The state treasurer shall provide for an annual in-
8 dependent audit of the office of the state treasurer. *Such audit shall*
9 *provide a financial statement prepared according to generally ac-*
10 *cepted accounting principles.* Such audit may be coordinated with
11 any financial-compliance audit or other financial-compliance audit
12 work conducted under the legislative post audit act. Such audit shall
13 be conducted in accordance with generally accepted ~~accounting~~
14 *principles auditing standards.* The resulting written audit report
15 shall be issued as soon after the end of the fiscal year as is practicable.
16 Copies of this report shall be furnished to the governor, director of
17 accounts and reports, director of the budget and the legislative post
18 audit committee. A copy of the report shall be filed with the chief
19 clerk of the house of representatives and with the secretary of the
20 senate no later than the 10th calendar day of each regular session
21 of the legislature.

22 *New Sec. 10. The pooled money investment board shall provide*
23 *for an annual independent audit of the pooled money investment*
24 *board. Such audit shall provide a financial statement prepared ac-*
25 *ording to generally accepted accounting principles. Such audit may*
26 *be coordinated with any financial-compliance audit or other finan-*
27 *cial-compliance audit work conducted under the legislative post audit*
28 *act. Such audit shall be conducted in accordance with generally*
29 *accepted auditing standards. The resulting written audit report shall*
30 *be issued as soon after the end of the fiscal year as is practicable.*
31 *Copies of this report shall be furnished to the governor, director of*
32 *accounts and reports, director of the budget and the legislative post*
33 *audit committee. A copy of the report shall be filed with the chief*
34 *clerk of the house of representatives and with the secretary of the*
35 *senate no later than the 10th calendar day of each regular session*
36 *of the legislature.*

37 Sec. 10 II. K.S.A. 1991 Supp. 75-4201 is hereby amended to
38 read as follows: 75-4201. As used in this act, unless the context
39 otherwise requires:

- 40 (a) "Treasurer" means state treasurer.
41 (b) "Controller" means director of accounts and reports.
42 (c) "Board" means the pooled money investment board.
43 (d) "Bank" means a state or national bank doing business within

1 the state of Kansas.

2 (e) "State moneys" means all moneys in the treasury of the state
3 or coming lawfully into the possession of the treasurer.

4 (f) "Custodial moneys" means state moneys deposited with the
5 treasurer which, in the written opinion of the attorney general, are
6 required by contract, bequest or law to be segregated from other
7 bank accounts.

8 (g) "Special moneys" means moneys which are required to be or
9 are deposited in a custodial bank account or a fee agency account
10 by the state or any agency thereof.

11 (h) "State bank account" means state moneys or special moneys
12 deposited in accordance with the provisions of this act.

13 (i) "Active Operating account" means a state bank account which
14 (1) is payable or withdrawable, in whole or in part, on demand,
15 and (2) is in a bank not having an inactive account.

16 (j) "Inactive Investment account" means a state bank account
17 which is not payable on demand but shall not include custodial
18 accounts.

19 (k) "Time deposit, open account" means a state bank ac-
20 count which is a deposit, other than a time certificate of deposit,
21 with respect to which there is in force a written contract which
22 provides that neither the whole nor any part of such deposit
23 may be withdrawn, by check or otherwise, prior to the date of
24 maturity or the expiration of the period of notice which must
25 be given by the board in writing.

26 (k) "Market rate" means the average of the average equivalent
27 ~~yield~~ yields with equivalent maturities, of: (1) United States government
28 securities; and (2) debt obligations of the following United States
29 government agencies, federal home loan banks, federal national
30 mortgage association and federal farm credit bank.

31 (l) "Investment rate" means a rate which is the equivalent yield
32 for United States government securities having a maturity date as
33 published in the Wall Street Journal, nearest the maturity date for
34 equivalent maturities.

35 (l) (m) "Custodial account" means a state bank account of cus-
36 todial moneys.

37 (m) (n) "Fee agency account" means a state bank account of any
38 state agency consisting of fees, tuition or charges authorized by law
39 prior to remittance to the state treasurer.

40 (n) (o) "Disbursement" means a payment of any kind whatsoever
41 made from the state treasury or from any active operating account,
42 except transfer of state or special moneys between or among active
43 operating accounts and inactive investment accounts or either or

1 both of them.

2 (e) "Interest period" means three months commencing on
3 the date an inactive account is initially deposited, and each
4 three months thereafter, and in the case of time deposit, open
5 accounts means the period of the deposit but not exceeding
6 three months.

7 (p) (o) (p) "Securities" means, for the purposes of K.S.A. 75-
8 4218, and amendments thereto, any one or more of the following:

9 (1) Direct obligations of, or obligations that are insured as to
10 principal and interest by, the United States government or any
11 agency thereof and obligations and securities of United States spon-
12 sored corporations enterprises which under federal law may be
13 accepted as security for public funds.

14 (2) Kansas municipal bonds which are general obligations of the
15 municipality issuing the same.

16 (3) Revenue bonds of any agency or arm of the state of Kansas.

17 (4) Revenue bonds of any municipality, as defined by K.S.A. 10-
18 101, and amendments thereto, within the state of Kansas or bonds
19 issued by a public building commission as authorized by K.S.A. 12-
20 1761, and amendments thereto, if approved by the state bank com-
21 missioner, except (A) bonds issued under the provisions of K.S.A.
22 12-1740 *et seq.*, and amendments thereto, unless such bonds are
23 rated at least MIC-1 or Aa by Moody's Investors Service or AA by
24 Standard & Poor's Corp. and (B) bonds secured by revenues of a
25 utility which has been in operation for less than three years. Any
26 expense incurred in connection with granting approval of revenue
27 bonds shall be paid by the applicant for approval.

28 (5) Temporary notes of any municipal corporation or quasi-mu-
29 nicipal corporation within the state of Kansas which are general
30 obligations of the municipal corporation or quasi-municipal corpo-
31 ration issuing the same.

32 (6) Warrants of any municipal corporation or quasi-municipal cor-
33 poration within the state of Kansas the issuance of which is authorized
34 by the state board of tax appeals and which are payable from the
35 proceeds of a mandatory tax levy.

36 (7) Bonds of any municipal or quasi-municipal corporation of the
37 state of Kansas which have been refunded in advance of their ma-
38 turity and are fully secured as to payment of principal and interest
39 thereon by deposit in trust, under escrow agreement with a bank,
40 of direct obligations of, or obligations the principal of and the interest
41 on which are unconditionally guaranteed by, the United States of
42 America. A copy of such escrow agreement shall be furnished to the
43 treasurer.

1 (8) Securities listed in paragraph (13) of subsection (d) of K.S.A.
2 9-1402 and amendments thereto within limitations of K.S.A. 9-1402
3 and amendments thereto.

Such securities may be accepted or rejected
by the treasurer.

4 (8) (9) All of such securities shall be current as to interest ac-
5 cording to the terms thereof.

6 (9) (10) Whenever a bond is authorized to be pledged as a se-
7 curity under this section, such bond shall be accepted as a security
8 if: (i) In the case of a certificated bond, it is assigned, delivered or
9 pledged to the holder of the deposit for security; (ii) in the case of
10 an uncertificated bond, registration of a pledge of the bond is au-
11 thorized by the system and the pledge of the uncertificated bond is
12 registered; or (iii) in a form approved by the attorney general, which
13 assures the availability of the bond proceeds pledged as a security
14 for public deposits.

15 (q) (p) [(q)] "Savings bank" means a federally chartered savings
16 bank insured by the federal deposit insurance corporation and doing
17 business within the state of Kansas.

18 (r) (q) [(r)] "Savings and loan association" means a state or fed-
19 erally chartered savings and loan association insured by the federal
20 deposit insurance corporation and doing business within the state of
21 Kansas.

22 Sec. 11 12. K.S.A. 75-4202 is hereby amended to read as follows:
23 75-4202. All state moneys and credits received by the treasurer shall
24 be deposited daily in one or more active accounts or time deposit,
25 open accounts *operating accounts*, except custodial moneys which
26 shall be so deposited in custodial accounts. All disbursements shall
27 be drawn from active *operating* accounts. All banks having a state
28 bank account shall service all warrants, drafts or checks of the state
29 or its agencies without charge. *The board shall determine the com-
30 pensation for services rendered that banks may receive on state bank
31 accounts. Such compensation may be either compensating balances
32 or fees.*

33 Sec. 12 13. K.S.A. 75-4205 is hereby amended to read as follows:
34 75-4205. (a) The board shall designate one or more banks to receive
35 active *operating* accounts. The capital and surplus of any bank
36 having an active account shall be not less than \$2,000,000. In
37 determining the amount of the award of an active *operating* account
38 to any bank designated under this subsection *section* therefor, the
39 board shall give consideration to the amount of service to be required
40 of it. Active ~~Operating accounts shall bear no interest.~~

41 (b) The aggregate moneys in all active accounts shall not
42 exceed \$40,000,000 at any time; except that in periods of an-
43 ticipated peak disbursements; the board, in its discretion, may

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22

1 cause the aggregate moneys in the active accounts to exceed
2 such amount for the duration of such periods of peak disburse-
3 ments, not to exceed 10 days. At any time moneys in active
4 accounts exceed 50% of the award of such accounts, additional
5 moneys may be deposited in time deposit, open accounts.

6 (c) If the aggregate of all active accounts exceeds the limit
7 prescribed in subsection (b), the board shall direct the treasurer
8 to make withdrawals within 60 days of sufficient moneys to
9 reduce the amount in the active accounts below such limit,
10 and such withdrawals shall be made in accordance with the
11 formula prescribed for the initial award of such moneys. The
12 moneys so withdrawn shall be transferred to and deposited in
13 inactive accounts in accordance with the formula prescribed in
14 K.S.A. 75-4207 and 75-4209, and amendments thereto, for initial
15 deposits in inactive accounts except that any bank which was
16 entitled to an inactive account award of \$100,000 or more under
17 the provisions of K.S.A. 75-4209, and amendments thereto, but
18 which contracted for a lesser amount shall not be entitled to
19 receive such additional deposits.

20 (d) When moneys are available for deposit for not to exceed
21 60 days in time deposit, open accounts, the board shall deposit
22 such moneys in time deposit, open accounts in the banks and
23 in the proportion prescribed by K.S.A. 75-4206, and amend-
24 ments thereto, for the making of such deposits of moneys or
25 if the board determines that it is impossible to deposit such
26 moneys in time deposit, open accounts, it shall invest the same
27 in repurchase agreements of less than 30 days' duration with
28 a Kansas bank or with a primary government securities dealer
29 which reports to the market reports division of the federal
30 reserve bank of New York for direct obligations of, or obliga-
31 tions that are insured as to principal and interest by, the United
32 States government or any agency thereof.

33 (e) At any time moneys are available for deposits or in-
34 vestment for a period of time which is insufficient to permit
35 deposit in time deposit, open accounts the board may invest
36 the same in repurchase agreements of less than 30 days' du-
37 ration with Kansas banks for direct obligations of, or obligations
38 that are insured as to principal and interest by, the United
39 States government or any agency thereof.

40 (f) When moneys are available for deposits or investments
41 under the provisions of subsections (d) and (e), the board, in
42 lieu of such deposits or investments, may invest in preferred
43 stock of Kansas Venture Capital, Inc. under terms and condi-

1 tions prescribed by K.S.A. 1986 Supp. 74-8203, and amend-
2 ments thereto, but such investments shall not in the aggregate
3 exceed a total amount of \$10,000,000.

4 Sec. 13 14. K.S.A. 75-4208 is hereby amended to read as follows:
5 75-4208. (a) The board shall follow the procedure prescribed in this
6 section preliminary to rules and regulations adopted under the
7 provisions of section 8 of this act, in designating banks to receive
8 deposit of state moneys in active operating accounts and inactive
9 investment accounts. Such board shall meet on the first Monday
10 in July of each year at such hour and place as is specified by
11 the board. Except in any year in which such board is only
12 exercising its option specified in subsection (e) of this section,
13 at such meeting the board shall prepare and cause to be pub-
14 lished in the Kansas register on or before July 15 of such year
15 a notice as prescribed in this section. Such notice shall state
16 that on a day specified in such notice, which shall be not later
17 than September 1 of such year, sealed proposals will be re-
18 ceived by the board for the deposit of state moneys and special
19 moneys in active and inactive accounts. Such notice shall spec-
20 ify this section of this act as authority for its publication, and
21 shall specify the hour and place that the proposals herein pro-
22 vided for will be received and opened. Such notice shall spec-
23 ify that proposals may be made by any eligible bank on forms
24 which shall be prepared by the board and approved by the
25 attorney general.

26 (b) At the time and place specified in such notice, all pro-
27 posals which have been submitted shall be publicly opened
28 and tabulated.

29 (c) Within two weeks after the meeting date specified in
30 such notice the board shall determine which banks shall receive
31 state active operating and inactive investment accounts for the
32 following 12 months, with the option of such board to extend
33 such period for an additional 12 months, and shall designate the
34 types of accounts to be awarded each such bank and the initial
35 amount of each award. Such initial awards which are active operating
36 accounts shall be made as provided in K.S.A. 75-4205, and amend-
37 ments thereto. Such initial awards which are inactive investment
38 accounts shall be apportioned as is provided in K.S.A. 75-4209, and
39 amendments thereto. Upon making the awards provided for above,
40 the board shall notify each bank of its award, and that the same is
41 subject to approval of securities to be pledged as prescribed in this
42 act.

43 Sec. 14 15. K.S.A. 75-4209 is hereby amended to read as follows:

1 75-4209. (a) Inactive accounts shall be apportioned by the board
2 among the banks which propose to receive such accounts and
3 which qualify therefor in the proportion that each such bank's
4 combined capital, undivided profits and surplus bears to the
5 total capital, undivided profits and surplus of all such banks.
6 The board may award additional inactive accounts or make
7 additional deposits to existing inactive accounts at any time.
8 Awards of additional inactive accounts, additional deposits to
9 existing inactive accounts and withdrawals from inactive ac-
10 counts shall be made by the same method of apportionment,
11 except that any bank which was entitled to an inactive account
12 of \$100,000 or more, but which contracted for a lesser amount
13 shall not be entitled to receive any such additional award or
14 deposit. One hundred percent of all inactive accounts shall bear
15 interest in the amounts provided in K.S.A. 75-4210.

16 (b) If any bank does not accept the full amount of inactive
17 accounts for which it legally qualifies, the balance thereof shall
18 be apportioned in the manner prescribed in subsection (a) of
19 this section among eligible banks willing to receive additional
20 inactive accounts.

21 (c) In the event the board is unable to deposit all state and
22 special moneys which are available for inactive accounts, the
23 board shall deposit such moneys in time deposit, open accounts
24 in such bank or banks as it shall determine to be in the best
25 interest of the state or shall invest the same in repurchase
26 agreements as authorized and provided in K.S.A. 75-4205. (a)
27 After the board determines the liquidity needs for the state, and
28 determines the varying maturities of the investment accounts to be
29 offered and the amount of state moneys to be invested in each of
30 the maturities offered, in accordance with rules and regulations
31 adopted pursuant to section 8, the board shall make available state
32 moneys eligible for investment accounts in the following manner:

33 (1) The board shall offer to all banks, at one or two-year
34 maturities and at market rate, state moneys for deposit in
35 investment accounts. Such accounts shall be apportioned by
36 the board among the banks which propose to receive such
37 accounts and which qualify therefor on the basis of the ratio
38 of each bank's combined capital, undivided profits and surplus
39 to the total capital, undivided profits and surplus of all such
40 banks. Of the total amount determined available for invest-
41 ment accounts, there shall be apportioned 100% for the period
42 August 1, 1992, through June 30, 1993; 75% for fiscal year
43 1994; 50% for fiscal year 1995; and, 25% for fiscal year 1996.

1 For fiscal year 1997, and thereafter, the board shall apportion
 2 moneys available for investment accounts in accordance with
 3 paragraph (2).

4 (2) State moneys eligible for investment accounts remaining
 5 after such moneys are offered to banks under the provisions
 6 of paragraph (1) shall be offered by the board to all banks at
 7 maturities of not more than five years at or above market rate.

8 (3) The board may invest and reinvest state moneys eligible
 9 for investment which are not invested in accordance with par-
 10 agraphs (1) or (2), in the following manner:

11 (A) Direct obligations of the United States government or
 12 any agency thereof;

13 (B) obligations of federal agencies or government sponsored
 14 enterprises, except that not more than 10% of the state moneys
 15 available for investment under this subsection shall be in-
 16 vested in mortgage backed securities; or

17 (C) repurchase agreements for securities described in sub-
 18 paragraph (A) or (B) of this subsection.

19 (1) (A) The board shall offer to all banks, on a competitive bid
 20 basis, state moneys for deposit in investment accounts at maturities
 21 of not more than four years and such bids shall be at a rate of at
 22 least the market rate, as defined in subsection (k) of K.S.A. 75-4201
 23 and amendments thereto.

24 (B) As part of the offering under subparagraph (A) the board
 25 shall offer to all banks ~~50%~~ 50% of the amount of state moneys available , on a twelve-month average,
 26 for investment or \$350,000,000, whichever amount is greater, at
 27 maturities of not more than four years and at ~~a rate of at least~~ [a rate of at least] the
 28 investment rate as defined in subsection (l) of K.S.A. 75-4201 and
 29 amendments thereto. Such accounts shall be apportioned by the
 30 board among the banks which propose to receive such accounts and
 31 which qualify therefor on the basis of the ratio of each bank's
 32 combined capital, undivided profits and surplus to the total capital,
 33 undivided profits and surplus of all such banks.

34 (2) The board may invest and reinvest state moneys eligible for
 35 investment which are not invested in accordance with paragraph
 36 (1), in the following investments:

37 (A) Direct obligations of, or obligations that are insured as to
 38 principal and interest by, the United States of America or any agency
 39 thereof and obligations and securities of the United States sponsored
 40 enterprises which under federal law may be accepted as security for
 41 public funds, except that not more than 10% of the moneys available
 42 for investment under this subsection ~~shall~~ may be invested in mortgage
 43 backed securities of such enterprises and of the government national

1 mortgage association; or
 2 (B) repurchase agreements of less than 30 days' duration with a
 3 Kansas bank or a primary government securities dealer which reports
 4 to the market reports division of the federal reserve bank of New
 5 York for direct obligations of, or obligations that are insured as to
 6 principal and interest by, the United States government or any
 7 agency thereof and obligations and securities of United States gov-
 8 ernment sponsored enterprises which under federal law may be ac-
 9 cepted as security for public funds.

10 ~~Investments under this paragraph shall be for a period not to~~
 11 ~~exceed five four years, except for investments in mortgage-backed~~
 12 ~~securities.~~

13 (b) At any time moneys are available for deposits or investments
 14 for a period of time which is insufficient to permit deposit in in-
 15 vestment accounts and or to provide for the liquidity needs for the
 16 state, the board may invest such moneys in repurchase agreements
 17 as authorized in [subparagraph (B) of] paragraph (2) of subsection
 18 (a) for direct obligations of the United States government or
 19 any agency thereof.

20 (c) When moneys are available for deposits or investments, the
 21 board may invest in preferred stock of Kansas venture capital, inc.,
 22 under terms and conditions prescribed by K.S.A. 1991 Supp. 74-
 23 8203, and amendments thereto, but such investments shall not in
 24 the aggregate exceed a total amount of \$10,000,000.

25 (d) When moneys are available for deposits or investments, the
 26 board may invest in loans for pursuant to legislative mandates,
 27 except that not more than the lesser of 10% or \$80,000,000 of the
 28 state moneys shall be invested.

29 (e) Interest on investment accounts in banks is to be paid at
 30 maturity, but not less than annually, except that interest on such
 31 investment accounts awarded between August 1, 1992, and June 30,
 32 1993, is to be paid no later than June 30, 1993.

33 (f) Investments made by the board under the provisions of this
 34 section shall be made with judgment and care, under circumstances
 35 then prevailing, which persons of prudence, discretion and intelli-
 36 gence exercise in the management of their own affairs, not for spec-
 37 ulation, but for investment, considering the probable safety of their
 38 capital as well as the probable income to be derived.

39 Sec. 15 16. K.S.A. 75-4210 is hereby amended to read as follows:
 40 75-4210. Interest shall be paid by banks having inactive ac-
 41 counts in amounts which shall be determined as follows:

42 (a) Every month the board shall meet and determine the
 43 average yield before taxes of ninety-one day United States

(g) Investments under paragraph (1) and
 subparagraph (A) of paragraph (2) of subsection
 (a) shall be for a period not to exceed four
 years, except for investments in mortgage-backed
 securities.

1 treasury bills for the three (3) months next preceding such
2 meeting. The first such determination shall be made in the
3 month this act takes effect. Each such determination shall be
4 computed to five (5) significant places by using a formula ap-
5 proved by the board and the attorney general, and such de-
6 termination shall be based upon information published in the
7 monthly issues of the federal reserve bulletin or other author-
8 itative sources of the federal government. Such determination
9 shall be recorded and shall be available for inspection by any
10 person at all reasonable times in the office of the treasurer.

11 (b) Commencing on the first day of each interest period,
12 interest shall be earned on inactive accounts at a rate equal to
13 one hundred percent (100%) of the average market yield before
14 taxes of ninety-one day United States treasury bills as deter-
15 mined by the board in the most recent such determination prior
16 to the interest period. Interest earned in any interest period
17 shall be paid on the last day of such interest period at the
18 interest rate determined to be effective at the beginning of
19 such interest period.

20 (c) Interest on additions to any inactive account shall be
21 earned at the rate applicable to the balance in such inactive
22 account at the time the addition is made and shall continue at
23 such rate until the end of the interest period then current. *The*
24 *treasurer shall calculate the market rate investment rate, as defined*
25 *in subsection (l) of K.S.A. 75-4201 and amendments thereto, on*
26 *Monday of each week and publish such rate weekly that week in*
27 *the Kansas register. The treasurer shall also calculate the market*
28 *rate as defined in subsection (k) of K.S.A. 75-4201 and amendments*
29 *thereto on the day before the offering of moneys to Kansas banks.*

30 Sec. 16 17. K.S.A. 75-4212a is hereby amended to read as fol-
31 lows: 75-4212a. Whenever the balance in active operating accounts
32 is insufficient to meet the state's obligations, and there are state
33 moneys in time deposit, open accounts or inactive investment
34 accounts, the treasurer, with approval of the board, may borrow
35 (upon the security of any one or more time deposit, open accounts
36 or inactive investment accounts) an amount sufficient to meet the
37 state's obligations. Any such loan shall be repaid in full within sixty
38 (60) 60 days or prior to July 1, whichever occurs first. Interest
39 payment by the state for any loan under this section shall be made
40 only by way of setoff from interest obligations to the state from the
41 bank making such loan. The amount borrowed under this section
42 from any bank, shall never exceed an amount equal to the amount
43 of state moneys on deposit in such bank.

1 Sec. 17 18. K.S.A. 75-4213 is hereby amended to read as follows:
 2 75-4213. Custodial accounts shall be arranged for by the board, but
 3 the aggregate of custodial accounts in any bank shall not exceed 10%
 4 of the deposits of such bank's statement of last official call. Whenever
 5 it appears to the board that certain moneys may be required to be
 6 deposited in custodial accounts, the chairperson shall request the
 7 opinion of the attorney general, who shall render an opinion thereon
 8 within two weeks. No commitment shall be made to maintain all or
 9 any portion of any custodial account for a period of more than 12
 10 months. Custodial moneys shall not be considered in determining
 11 limitations imposed by this act on other types of bank accounts.
 12 Custodial accounts may be demand deposits or interest bearing de-
 13 posits, as determined by the board, and if the custodial accounts
 14 are interest bearing the rate thereof shall be the ~~same as the rate~~
 15 ~~applicable to inactive investment accounts at comparable maturities.~~
 16 The board may invest custodial moneys in repurchase agreements
 17 of less than 30 days' duration with a Kansas bank or with a primary
 18 government securities dealer which reports to the market reports
 19 division of the federal reserve bank of New York for direct obligations
 20 of, or obligations that are insured as to principal and interest by,
 21 the United States government or any agency thereof.

22 Sec. 18 19. K.S.A. 1991 Supp. 75-4218 is hereby amended to
 23 read as follows: 75-4218. (a) All state bank accounts shall be secured
 24 by pledge of securities as provided in this section.

25 (b) The bank, savings bank or savings and loan association re-
 26 ceiving or having a state bank account shall deposit or cause its
 27 agent, trustee or an affiliate bank having identical ownership as the
 28 bank receiving or having such account to deposit, securities owned
 29 by it, or by its agent or trustee holding securities on its behalf, or
 30 by such affiliate bank, in one of the following ways:

- 31 (1) Deposit with the treasurer.
- 32 (2) Deposit with a bank having adequate modern facilities for the
 33 safekeeping of securities and doing business in the state of Kansas,
 34 and which facilities shall have had the prior approval of the board.
 35 Any such bank receiving securities for safekeeping shall be liable to
 36 the state for any loss suffered by the state in the event such bank
 37 relinquishes the custody of any such securities contrary to the pro-
 38 visions of this act or rules and regulations adopted thereunder. No
 39 such deposit of securities shall be made in any facility owned or
 40 controlled directly or indirectly by the bank depositing the same.
- 41 (3) Deposit with the federal reserve bank of Kansas City,
 42 Missouri.
- 43 (4) Deposit with the federal home loan bank of Topeka, Kansas.

investment rate, as defined in subsection
 (1) of K.S.A. 75-4201, and amendments
 thereto

1 (5) Any combination of (1), (2), (3) and (4).

2 (c) Any such deposit of securities, except with the treasurer, shall
3 have a joint custody receipt taken therefor with one copy going to
4 the treasurer and one copy going to the bank, savings bank or savings
5 and loan association which deposits such securities. In lieu of the
6 initial deposit of securities provided for in this subsection (c), the
7 treasurer or the treasurer's duly authorized deputy, for a period of
8 not to exceed 10 calendar days, may accept the telephone assurance
9 of a bank qualified as provided in (2) or (3) of subsection (b), that
10 the depository bank has requested the issuance of a joint custody
11 receipt with the state of Kansas, specifying the securities pledged,
12 for the purpose of compliance with this section and that such joint
13 custody receipt will be forthcoming.

14 (d) Securities deposited to comply with this section may be with-
15 drawn on application of the bank, savings bank or savings and loan
16 association depositing the securities, if such application is approved
17 by the treasurer or the treasurer's duly authorized deputy and the
18 director of accounts and reports or the director's duly author-
19 ized assistant for the reason that such deposit of securities is no
20 longer needed to comply with this section or are required for col-
21 lection by virtue of their maturity or for exchange. Securities with-
22 drawn for collection by virtue of their maturity or for exchange shall
23 be replaced within 15 calendar days, but until replaced the state
24 shall retain a first lien on the withdrawn security or the proceeds
25 therefrom.

26 (e) Active Operating accounts, time deposit, open accounts,
27 inactive investment accounts, fee agency accounts and custodial ac-
28 counts shall be secured by pledge of securities the market value of
29 which is equal to 100% of the amount of the account, less so much
30 of any such account as is protected by the federal deposit insurance
31 corporation. Any agency responsible for a fee agency account shall
32 transfer immediately all moneys not so secured to the state treasurer
33 for deposit in the state treasury.

34 Sec. 19 20. K.S.A. 75-4226 is hereby amended to read as follows:
35 75-4226. The interest requirements on inactive investment accounts
36 and time deposit, open accounts as provided in this act shall not
37 at any time be in violation of any act of the congress of the United
38 States, or of any rule or regulation of the federal reserve system or
39 the federal deposit insurance corporation, or any other fiscal agency
40 of the United States or created by it. Should the United States or
41 any of its agencies at any time fix the maximum rate of interest
42 which may be paid on inactive investment accounts or time deposit,
43 open accounts at an amount lower than the rate at which interest

1 is required to be paid under the provisions of this act, such maximum
2 rates fixed by the United States or its agencies shall become the
3 rate at which interest shall be paid on such accounts.

4 Sec. ~~20~~ 21. K.S.A. 75-52,120 is hereby amended to read as fol-
5 lows: 75-52,120. (a) To provide for the costs of the acquisition of
6 real estate authorized by K.S.A. ~~1986 Supp.~~ 75-52,119, and amend-
7 ments thereto, and expenses related thereto, the pooled money in-
8 vestment board is authorized and directed to loan to the secretary
9 of corrections sufficient funds therefor in amounts which in the ag-
10 gregate do not exceed \$175,000. The pooled money investment board
11 is authorized and directed to use any moneys in the active ~~acc-~~
12 ~~inactive~~ ~~accounts~~ or time deposits, ~~open~~ ~~accounts~~ ~~operating~~ ~~ac-~~
13 ~~counts~~, investment accounts or other investments, of the state of
14 Kansas to provide the funds for such loan. The loan shall bear interest
15 at an initial rate equal to the rate prescribed in K.S.A. ~~75-4210~~
16 and amendments thereto for inactive ~~accounts~~ of the state and
17 average yield before taxes received on 91-day United States treasury
18 bills as determined by the federal reserve banks as fiscal agents of
19 the United States at its most recent public offering of such bills in
20 effect on the date the pooled money investment board provides the
21 loan amount. The rate of such interest shall be adjusted annually
22 on the anniversary of the date the loan was made at a rate equal
23 to the rate prescribed in K.S.A. ~~75-4210~~ and amendments
24 thereto for inactive of the state average yield before taxes received
25 on 91-day United States treasury bills as determined by the federal
26 reserve banks as fiscal agents of the United States at its most recent
27 public offering of such bills in effect on such date. The loan principal
28 and interest thereon shall be payable solely from revenues credited
29 to the correctional industries fund or as otherwise provided by law.
30 The loan shall not be deemed to be an indebtedness or debt of the
31 state of Kansas within the meaning of section 6 of article 11 of the
32 constitution of the state of Kansas.

33 (b) Upon certification to the pooled money investment board by
34 the secretary of corrections of the amount of the loan authorized by
35 this section that is required, the pooled money investment board
36 shall transfer the amount certified by the secretary of corrections
37 from the state bank accounts described in this section to the cor-
38 rectional industries fund. The amount so transferred shall not exceed
39 \$175,000.

40 Sec. ~~21~~ 22. K.S.A. 1991 Supp. 75-52,130 is hereby amended to
41 read as follows: 75-52,130. (a) To provide for any amounts required
42 to be paid for all or part of the cost of the capital improvement
43 projects for a new correctional facility and a mental health facility

1 or facilities authorized by this act and expenses related thereto, the
2 pooled money investment board is authorized and directed to loan
3 to the secretary of corrections sufficient funds therefor in amounts
4 which in the aggregate do not exceed \$26,850,000. All such amounts
5 of such loan shall be credited to the new correctional facility and
6 mental health facility or facilities — construction fund which is
7 hereby created in the state treasury. The pooled money investment
8 board is authorized and directed to use any moneys in the active
9 accounts, inactive accounts or time deposits, open accounts
10 operating accounts, investment accounts and other investments, of
11 the state of Kansas to provide the funds for such loan.

12 (b) Such loan shall bear interest from the date of the loan transfer
13 or transfers under this section at an annual rate of interest which
14 shall be at a rate equal to the rate prescribed by K.S.A. 75-4210,
15 and amendments thereto, for inactive accounts of the state ef-
16 fective average yield before taxes received on 91-day United States
17 treasury bills as determined by the federal reserve banks as fiscal
18 agents of the United States at its most recent public offering of such
19 bills in effect on January 1 of such year. Such loan shall not be
20 deemed to be an indebtedness or debt of the state of Kansas within
21 the meaning of section 6 of article 11 of the constitution of the state
22 of Kansas.

23 (c) The secretary of corrections may periodically certify to the
24 pooled money investment board amounts to be transferred pursuant
25 to this subsection. Upon certification to the pooled money investment
26 board by the secretary of corrections of the amounts of the loan
27 authorized by subsection (a), the pooled money investment board
28 shall transfer amounts certified by the secretary of corrections from
29 the state bank accounts described in subsection (a) to the new cor-
30 rectional facility and mental health facility or facilities — construction
31 fund which in the aggregate do not exceed the amount specified in
32 subsection (a).

33 (d) Subject to the limitations of this section, the secretary of
34 corrections shall determine and certify to the pooled money invest-
35 ment board, on or before the date of the first certification pursuant
36 to subsection (c), the terms and conditions of repayment of the
37 principal and interest of such loan amounts. Commencing in calendar
38 year 1990, the principal and interest of such loan amounts shall be
39 repaid in payments payable at least annually for a period of not more
40 than 25 years. The repayment amounts shall be recomputed each
41 year to reflect the interest rate prescribed and shall be calculated
42 each year on a substantially level payment basis based on a total
43 original amortization period of 25 years.

1 Sec. 22 23. K.S.A. 76-829 is hereby amended to read as follows:
2 76-829. (a) To provide for the payment of the costs of the capital
3 improvement project to construct and equip a facility for the care
4 of and clinical research on animals at the university of Kansas medical
5 center, and expenses related thereto, the pooled money investment
6 board is authorized and directed to loan to the state board of regents
7 sufficient funds therefor in an amount which shall not exceed
8 \$4,300,000. The pooled money investment board is authorized and
9 directed to use any moneys in the active accounts, inactive ac-
10 counts or time deposits, open accounts *operating accounts, in-*
11 *vestment accounts or other investments*, of the state of Kansas to
12 provide funds for such loan. Commencing on the loan date, such
13 loan shall bear interest at the rate equal to the rate prescribed
14 by K.S.A. 75-4210 and amendments thereto for inactive ac-
15 counts of the state as of January 1, 1986. Each year thereafter,
16 The rate of interest shall be fixed on January 1 of such *each* year
17 at a rate equal to the rate prescribed by K.S.A. 75-4210 and
18 amendments thereto for inactive accounts of the state effective
19 *average yield before taxes received on 91-day United States treasury*
20 *bills as determined by the federal reserve banks as fiscal agents of*
21 *the United States at its most recent public offering of such bills in*
22 *effect* on such date. The loan principal and interest thereon shall be
23 payable solely from moneys credited to and available in the animal
24 research facility debt service fund or as otherwise provided by law.
25 Such loan shall not be deemed to be an indebtedness or debt of
26 the state of Kansas within the meaning of section 6 of article 11 of
27 the constitution of the state of Kansas.

28 (b) There is hereby created in the state treasury the animal re-
29 search facility project fund. On the loan date, the pooled money
30 investment board shall transfer the loan amount from the state bank
31 accounts described in subsection (a) to the animal research facility
32 project fund. All expenditures from the animal research facility pro-
33 ject fund shall be for payment of the costs of the capital improvement
34 project to construct and equip a facility for the care of and clinical
35 research on animals at the university of Kansas medical center and
36 expenses related thereto, in accordance with the provisions of ap-
37 propriations acts.

38 (c) On the effective date of this act, the director of accounts and
39 reports shall transfer all moneys in the hospital construction revenue
40 bonds refinancing proceeds fund to the animal research facility pro-
41 ject fund.

42 (d) After completion of the capital improvement project to con-
43 struct and equip a facility for the care of and clinical research on

1 animals at the university of Kansas medical center and the payment
2 of the costs thereof and expenses related thereto, the chancellor of
3 the university of Kansas shall certify the same to the director of
4 accounts and reports. Upon receipt of such certification, the director
5 of accounts and reports shall transfer any remaining moneys in the
6 animal research facility project fund to the animal research facility
7 debt service fund.

8 Sec. 23 24. K.S.A. 82a-1369 is hereby amended to read as fol-
9 lows: 82a-1369. (a) To provide earnest money required as part of a
10 memorandum of understanding between the state of Kansas and the
11 United States department of the army concerning the purchase of
12 municipal and industrial water supply storage, the pooled money
13 investment board is authorized and directed to loan to the director
14 of the Kansas water office sufficient funds therefor in the amount of
15 \$4,000,000. The pooled money investment board is authorized and
16 directed to use any moneys in the ~~active accounts; inactive ac-~~
17 ~~counts or time deposits; open accounts operating accounts, in-~~
18 ~~vestment accounts or other investments~~, of the state of Kansas to
19 provide funds for such loan. On the loan date of such loan, the
20 pooled money investment board shall transfer the loan amount from
21 the state bank accounts described in this subsection to the director
22 of the Kansas water office by depositing the same in the state treasury
23 to the credit of the water supply storage assurance fund.

24 (b) Commencing on the loan date, such loan shall bear interest
25 equal to the amount of interest earned on moneys in the water
26 supply storage assurance fund. The loan principal and interest
27 thereon shall be payable solely from moneys credited to and available
28 in the water supply storage assurance fund or as otherwise provided
29 by law. Commencing on the first day of the 12th month commencing
30 after the loan date, and annually thereafter until the repayment date
31 of such loan, interest on such loan, as specified under this section,
32 shall be paid to the pooled money investment board. The loan prin-
33 cipal and any interest remaining on such loan shall be paid in full
34 on July 1, 1996. Such loan shall not be deemed to be an indebtedness
35 or debt of the state of Kansas within the meaning of section 6 of
36 article 11 of the constitution of the state of Kansas.

37 (c) There is hereby created in the state treasury the water supply
38 storage assurance fund. The pooled money investment board may
39 invest and reinvest moneys credited to the water supply storage
40 assurance fund in obligations of the United States of America or
41 obligations the principal and interest of which are guaranteed by the
42 United States of America, in interest-bearing time deposits in any
43 commercial bank located in Kansas or in repurchase agreements of

1 less than 30 days' duration with a Kansas bank or with a primary
2 government securities dealer which reports to the market reports
3 division of the federal reserve bank of New York for direct obligations
4 of, or obligations that are insured as to principal and interest by,
5 the United States government or any agency thereof. Any moneys
6 not so invested shall earn interest monthly based upon the average
7 interest rate each month on repurchase agreements entered into
8 pursuant to K.S.A. 75-4205 75-4209, and amendments thereto, and
9 the average daily balance in the water supply storage assurance fund.
10 Any income or interest earned by the investments shall be credited
11 monthly to the water supply storage assurance fund.

12 (d) All expenditures from the water supply storage assurance fund
13 shall be made for the purpose of complying with the memorandum
14 of understanding between the state of Kansas and the United States
15 department of the army concerning the purchase of municipal and
16 industrial water supply storage and for the purpose of paying the
17 principal and interest on the loan received under this section in
18 accordance with appropriation acts upon warrants of the director of
19 accounts and reports issued pursuant to vouchers approved by the
20 director of the Kansas water office or by a person designated by the
21 director.

22 *Sec. 25. K.S.A. 75-4221a is hereby amended to read as follows:*
23 *75-4221a. (a) There is hereby established the pooled money invest-*
24 *ment board which shall consist of three five members, two four of*
25 *whom shall be appointed by the governor, subject to confirmation*
26 *by the senate as provided in K.S.A. 75-4315b and amendments*
27 *thereto. The third fifth member shall be the state treasurer. Not*
28 *more than two three members of the board shall be of the same*
29 *political party. Members appointed by the governor shall serve*
30 *at the pleasure of the governor. At least two members appointed*
31 *to the board shall be persons who are recognized for their judgment*
32 *and experience in business and financial affairs and who have a*
33 *minimum of five years of investment experience.*

34 *(b) On July 1, 1992, the two appointive board members serving*
35 *on the board immediately prior to such date shall cease to be mem-*
36 *bers of the board and on such date, or as soon thereafter as possible,*
37 *the governor shall appoint four members to the board to serve for*
38 *terms as specified by this subsection. The two appointive members*
39 *serving on the board immediately prior to July 1, 1992, may be*
40 *reappointed to the board on or after such date under this subsection.*
41 *Of the members first appointed on or after July 1, 1992, two members*
42 *shall be appointed for a term commencing on July 1, 1992, and*
43 *ending on June 30, 1994, and two members shall be appointed for*

1 a term commencing on July 1, 1992, and ending on June 30, 1996.
2 The governor shall designate the term for each member so appointed.
3 Thereafter, members appointed to the board shall serve for four-
4 year terms and until their successors are appointed and qualified.
5 Whenever a vacancy occurs in the membership of the board prior
6 to the expiration of a term of office, the governor shall appoint a
7 qualified successor to fill the unexpired term.

8 (c) Members of the pooled money investment board attending
9 meetings of such board, or attending a subcommittee meeting thereof
10 authorized by such board, shall be paid compensation, subsistence
11 allowances, mileage and other expenses as provided in K.S.A. 75-
12 3223 and amendments thereto.

13 (b) (d) The provisions of the Kansas sunset law apply to the
14 pooled money investment board established by this section and the
15 board is subject to abolition under that law.

16 Sec. 26. K.S.A. 9-1402 is hereby amended to read as follows: 9-
17 1402. (a) Before any deposit of public moneys or funds shall be
18 made by any municipal corporation or quasi-municipal corporation
19 of the state of Kansas with any state or national bank, state or
20 federally chartered savings and loan association or federally char-
21 tered savings bank, such municipal or quasi-municipal corporation
22 shall obtain security for such deposit in one of the following manners
23 prescribed by this section.

24 (b) Such bank, state or federally chartered savings and loan
25 association or federally chartered savings bank may give to the mu-
26 nicipal corporation or quasi-municipal corporation a personal bond
27 in double the amount which may be on deposit at any given time.

28 (c) Such bank, state or federally chartered savings and loan
29 association or federally chartered savings bank may give a corporate
30 surety bond of some surety corporation authorized to do business
31 in this state, which bond shall be in an amount equal to the public
32 moneys or funds on deposit at any given time and such bond shall
33 be conditioned that such deposit shall be paid promptly on the order
34 of the municipal corporation or quasi-municipal corporation making
35 such deposits.

36 (d) Any state or national bank, state or federally chartered sav-
37 ings and loan association or federally chartered savings bank may
38 deposit, maintain, pledge and assign, or cause its agent, trustee or
39 an affiliate bank having identical ownership as the bank receiving
40 the deposit of public moneys or funds to deposit, maintain, pledge
41 and assign, for the benefit of the governing body of the municipal
42 corporation or quasi-municipal corporation in the manner provided
43 in this act, securities owned by it directly or indirectly through its

1 agent or trustee holding securities on its behalf, or owned by such
 2 affiliate bank, the market value of which is equal to 100% of the
 3 total deposits at any given time, and such securities shall consist of:

4 (1) Direct obligations of, or obligations that are insured as to
 5 principal and interest by, the United States of America or any agency
 6 thereof and obligations and securities of United States sponsored
 7 corporations which under federal law may be accepted as security
 8 for public funds;

9 (2) bonds of any municipal corporation or quasi-municipal cor-
 10 poration of the state of Kansas which have been refunded in advance
 11 of their maturity and are fully secured as to payment of principal
 12 and interest thereon by deposit in trust, under escrow agreement
 13 with a bank, of direct obligations of, or obligations the principal of
 14 and the interest on which are unconditionally guaranteed by, the
 15 United States of America;

16 (3) bonds of the state of Kansas;

17 (4) general obligation bonds of any municipal corporation or
 18 quasi-municipal corporation of the state of Kansas;

19 (5) revenue bonds of any municipal corporation or quasi-munic-
 20 ipal corporation of the state of Kansas if approved by the state bank
 21 commissioner in the case of banks and by the savings and loan
 22 commissioner in the case of savings and loan associations or federally
 23 chartered savings banks;

24 (6) temporary notes of any municipal corporation or quasi-mu-
 25 nicipal corporation of the state of Kansas which are general obli-
 26 gations of the municipal or quasi-municipal corporation issuing the
 27 same;

28 (7) warrants of any municipal corporation or quasi-municipal
 29 corporation of the state of Kansas the issuance of which is authorized
 30 by the state board of tax appeals and which are payable from the
 31 proceeds of a mandatory tax levy;

32 (8) bonds of either a Kansas not-for-profit corporation or of a
 33 local housing authority that are rated at least Aa by Moody's In-
 34 vestors Service or AA by Standard & Poor's Corp.;

35 (9) bonds issued pursuant to K.S.A. 12-1740 et seq., and amend-
 36 ments thereto, that are rated at least MIC-1 or Aa by Moody's
 37 Investors Service or AA by Standard & Poor's Corp.;

38 (10) notes of a Kansas not-for-profit corporation that are issued
 39 to provide only the interim funds for a mortgage loan that is insured
 40 by the federal housing administration;

41 (11) bonds issued pursuant to K.S.A. 1988 1991 Supp. 74-8901
 42 through 74-8916, and amendments thereto; or

43 (12) bonds issued pursuant to K.S.A. 1989 1991 Supp. 68-2319

may be accepted or rejected by the governing
 body of the municipal corporation or quasi-
 municipal corporation and

1 through 68-2330, and amendments thereto; or
2 (13) (A) Negotiable promissory notes ~~secured by~~ first lien mort-

3 gages on one to four family residential real estate ~~upon such loans~~

4 (i) Are underwritten by the federal national mortgage association,
5 the federal home loan mortgage corporation, the federal housing
6 administration or the veterans administration standards,

7 ~~(ii) have been in existence for at least two years with no history~~
8 ~~of delinquent payments or late charges.~~

9 (iii) are valued ~~on~~ not to exceed 50% of the lesser of the following
10 three values: outstanding mortgage balance; current appraised value,
11 or discounted present value based upon current federal national
12 mortgage association or ~~federal home loan mortgage corporation~~
13 interest rates quoted for conventional federal housing administration
14 or veterans administration and

15 (iv) negotiable promissory notes secured by first lien mortgages
16 on real estate shall be taken at their value for not more than 50%
17 of the security required under the provisions of this section.

18 (B) Securities under (A) shall be withdrawn immediately from
19 the collateral pool if any installment is unpaid for 30 days or more.

20 (C) A status report on all such loans shall be provided to the
21 investing governmental entity by the financial institution on a quar-
22 terly basis.

23 (e) No state or national bank, state or federally chartered savings
24 and loan association or federally chartered savings bank may deposit
25 and maintain for the benefit of the governing body of a municipal
26 or quasi-municipal corporation of the state of Kansas, any securities
27 which consist of:

28 (1) Bonds secured by revenues of a utility which has been in
29 operation for less than three years; or

30 (2) bonds issued under K.S.A. 12-1740 et seq., and amendments
31 thereto, unless such bonds have been refunded in advance of their
32 maturity as provided in subsection (d) or such bonds are rated at
33 least Aa by Moody's Investors Service or AA by Standard & Poor's
34 Corp.

35 (f) Whenever a bond is authorized to be pledged as a security
36 under this section, such bond shall be accepted as a security if (1)
37 in the case of a certificated bond, it is assigned, delivered or pledged
38 to the holder of the deposit for security; (2) in the case of an
39 uncertificated bond, registration of a pledge of the bond is authorized
40 by the system and the pledge of the uncertificated bond is registered;
41 or (3) in a form approved by the attorney general, which assures
42 the availability of the bond proceeds pledged as a security for public
43 deposits.

together with

located in Kansas securing payment of
such notes when such notes or
mortgages

at

of the real
estate

government national
mortgage association

mortgage loans

; or are valued pursuant to rules and
regulations which shall be adopted by
both the state bank commissioner and
the savings and loan commissioner
after having first being submitted to
and approved by both the state
banking board under K.S.A. 9-1713,
and amendments thereto and the
savings and loan board. Such rules
and regulations shall be published in
only one place in the Kansas
administrative regulations as
directed by the state rules and
regulations board.

(ii) have been in existence with the
same borrower for at least two years
and with no history of any
installment being unpaid for 30 days
or more,

1 (g) Any expense incurred in connection with granting approval
2 of revenue bonds shall be paid by the applicant for approval.

3 New Sec. 27. (a) The state treasurer is designated the cash man-
4 agement officer for the state and charged with the coordination and
5 supervision of procedures providing for the efficient handling of
6 financial assets under the control of the state [treasury] and each of
7 the various state agencies.

treasurer

8 (b) The state treasurer shall designate a cash manager to perform
9 cash management consultations with state agencies. The cash man-
10 ager shall schedule a cash management consultation by directing a
11 request for a cash management consultation to the appropriate state
12 agency head. The request shall include, but is not limited to, the
13 following: Permission to initiate the review; the purpose of the con-
14 sultation; a commencement date; the documents and information nec-
15 essary to perform the review; request for staff assistance for the
16 review; and the expected estimated time required to complete the
17 review.

18 (c) The cash manager shall provide consultation to all state agen-
19 cies with regard to cash management operations. The cash manager
20 will develop a review program which will be an ongoing effort to
21 ensure that optimum cash management practices are being employed
22 by state agencies and that the cash management informational need
23 of state agencies are being met. In performing cash management
24 consultation services the following principles shall be followed: Ed-
25 ucation and assistance in cash management practices; full consid-
26 eration of the operating needs of state agencies in evaluating and
27 recommending procedure changes; and government-wide efficiency
28 considerations relating to cash concentration.

29 (d) As used in this section, "state agency" shall have the meaning
30 ascribed to such term under K.S.A. 75-3701 and amendments thereto.

31 New Sec. 28. The provisions of this act shall apply to all con-
32 tracts for deposit of state moneys for terms commencing on or after
33 August 1, 1992, and shall not apply to contracts for terms ending
34 prior to August 1, 1992.

35 Sec. 24 29. K.S.A. 9-1402, 12-1675, 68-2060, 75-3676, 75-3679,
36 75-4202, 75-4205, 75-4206, 75-4207, 75-4208, 75-4209, 75-4210, 75-
37 4211, 75-4212, 75-4212a, 75-4213, 75-4221a, ~~75-4226~~ 75-52, 120, 75-
38 5341, 75-5342, 76-829 and 82a-1369 and K.S.A. 1991 Supp. 68-415,
39 75-4201, 75-4218 and 75-52, 130 are hereby repealed.

75-4224,

40 Sec. 25 30. This act shall take effect and be in force from and
41 after its publication in the statute book.

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1 well as the current market value of the pool investments.

2 (d) The state treasurer may assess reasonable charges not to
 3 exceed 1% of the interest earned against the fund for reimbursement
 4 of expenses incurred in administering the fund. The state treasurer
 5 shall certify, periodically, the amount of the assessment and the
 6 director of accounts and reports shall transfer the amount certified
 7 from the municipal investment pool fund to the municipal investment
 8 pool fund fee fund, which is hereby created. All expenditures from
 9 the municipal investment pool fund fee fund shall be made in ac-
 10 cordance with appropriation acts upon warrants of the director of
 11 accounts and reports issued pursuant to vouchers approved by the
 12 state treasurer or a person or persons designated by the state treas-
 13 urer. Amounts of gains realized on disposition of investments of the
 14 municipal investment pool fund shall be periodically certified by the
 15 state treasurer, and the director of accounts and reports shall trans-
 16 fer the amount certified from the municipal investment pool fund to
 17 the municipal investment pool reserve fund which is hereby created
 18 in the state treasury. The state treasurer shall make a determination
 19 of the amount needed for a reserve for possible losses to the mu-
 20 nicipal investment pool fund and shall certify periodically such
 21 amount, and the director of accounts and reports shall transfer the
 22 amount so certified from the municipal investment pool fund fee
 23 fund to the municipal investment pool reserve fund. If the state
 24 treasurer makes a determination that significant losses or gains have
 25 occurred to the municipal investment pool fund, the state treasurer
 26 shall certify the amount thereof to the director of accounts and
 27 reports, and the director of accounts and reports shall transfer the
 28 amount so certified from the municipal investment pool reserve fund
 29 to the municipal investment pool fund.

30 (e) The state treasurer may adopt rules and regulations necessary
 31 to carry out the provisions of this act and may enter into agreements
 32 with any municipality as to methods of deposits, withdrawals and
 33 investments.

34 (f) Investments under paragraphs (1) and (2) of subsection (b)
 35 shall be for a period of not to exceed four years, except for mortgage
 36 backed securities.

37 ~~(g) Internal and external audit reports shall include audit of~~
 38 ~~transactions, safekeeping receipts and confirmations. A performance~~
 39 ~~audit of the pool shall be contracted for at least once every two~~
 40 ~~years. An audit by legislative post audit shall be made not later than~~
 41 ~~two years after the effective date of this act.~~

42 (h) Deposits in the municipal investment pool may only be made
 43 for the same period before maturity as the period before maturity

A comparative investment performance review shall be contracted for by the state treasurer's office at least once every two years.

1 regulations establishing investment policies and procedures. Such
2 policies and procedures shall address liquidity, diversification, safety
3 of principal, yield, maturity and quality and capability of investment
4 management, with primary emphasis on safety and liquidity. Such
5 investment policies and procedures shall be reviewed annually by
6 the pooled money investment board.

7 New Sec. 9. [The state treasurer shall provide for an annual in-
8 dependent audit of the office of the state treasurer. *Such audit shall*
9 *provide a financial statement prepared according to generally ac-*
10 *cepted accounting principles.* Such audit may be coordinated with
11 any financial-compliance audit or other financial-compliance audit
12 work conducted under the legislative post audit act. Such audit shall
13 be conducted in accordance with generally accepted accounting
14 principles *auditing standards.* The resulting written audit report
15 shall be issued as soon after the end of the fiscal year as is practicable.
16 Copies of this report shall be furnished to the governor, director of
17 accounts and reports, director of the budget and the legislative post
18 audit committee. A copy of the report shall be filed with the chief
19 clerk of the house of representatives and with the secretary of the
20 senate no later than the 10th calendar day of each regular session
21 of the legislature.

22 *New Sec. 10. The pooled money investment board shall provide*
23 *for an annual independent audit of the pooled money investment*
24 *board. Such audit shall provide a financial statement prepared ac-*
25 *ording to generally accepted accounting principles. Such audit may*
26 *be coordinated with any financial-compliance audit or other finan-*
27 *cial-compliance audit work conducted under the legislative post audit*
28 *act. Such audit shall be conducted in accordance with generally*
29 *accepted auditing standards. The resulting written audit report shall*
30 *be issued as soon after the end of the fiscal year as is practicable.*
31 *Copies of this report shall be furnished to the governor, director of*
32 *accounts and reports, director of the budget and the legislative post*
33 *audit committee. A copy of the report shall be filed with the chief*
34 *clerk of the house of representatives and with the secretary of the*
35 *senate no later than the 10th calendar day of each regular session*
36 *of the legislature.*]

37 Sec. 10 II. K.S.A. 1991 Supp. 75-4201 is hereby amended to
38 read as follows: 75-4201. As used in this act, unless the context
39 otherwise requires:

- 40 (a) "Treasurer" means state treasurer.
41 (b) "Controller" means director of accounts and reports.
42 (c) "Board" means the pooled money investment board.
43 (d) "Bank" means a state or national bank doing business within

8
The office of the state treasurer shall prepare annual financial statements of the moneys in the state treasury. Such statements shall be prepared in accordance with generally accepted accounting principals. A financial-compliance audit shall be conducted each year of those financial statements. Such audit shall be conducted in accordance with generally accepted governmental auditing standards. Such audit shall include a review of the pooled money investment board's compliance with legal requirements applicable to the board's responsibilities for the moneys reported in the state treasury. The resulting written audit report shall be issued as soon after the end of the fiscal year as is practicable. Copies of this report shall be furnished to the governor, director of accounts and reports, director of the budget and the legislative post audit committee. A copy of the report shall be filed with the chief clerk of the house of representatives and with the secretary of the senate no later than the 10th calendar day of each regular session of the legislature. The auditor to conduct this audit work shall be specified in accordance with K.S.A. 46-1122, and amendments thereto. The cost of such audit work over and above the audit work done as part of the audit specified by subsection (a) of K.S.A. 46-1106, and amendments thereto, shall be borne by the office of the state treasurer as specified by K.S.A. 46-1118, and amendments thereto.

Investments in securities shall be limited to securities which do not have any more interest rate risk than do direct United States government obligations of similar maturities except for the 10% limitation on MBS. For purposes of this section (paragraph?) interest rate risk means market value changes due to changes in current interest rates.

needs to be inserted in Sec. 1, Sec. 2, and Sec. 15 of SB 480.

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1 from the state bank accounts described in subsection (a) to the state
2 printing plant construction fund which in the aggregate do not exceed
3 the amount specified in subsection (a).

4 Sec. 7. K.S.A. 75-3679 is hereby amended to read as follows:
5 75-3679. (a) To provide for the payment of the costs of making
6 renovations to the state-owned Santa Fe building and expenses re-
7 lated thereto, the pooled money investment board is authorized and
8 directed to loan to the secretary of administration sufficient funds
9 therefor in amounts which in the aggregate do not exceed \$4,530,000.
10 The pooled money investment board is authorized and directed to
11 use any moneys in the active accounts, inactive accounts or time
12 deposits; open accounts operating accounts, investment accounts
13 or other investments, of the state of Kansas to provide funds for such
14 loan. Commencing on January 1, 1988, such loan shall bear interest
15 and the rate of interest shall be fixed each January 1 at a rate equal
16 to the rate prescribed by K.S.A. 75-4210 and amendments
17 thereto for inactive accounts of the state effective average yield
18 before taxes received on 91-day United States treasury bills as de-
19 termined by the federal reserve banks as fiscal agents of the United
20 States at its most recent public offering of such bills in effect on
21 such date. The loan principal and interest thereon shall be payable
22 solely from revenues derived from charges imposed pursuant to
23 K.S.A. 75-3651, and amendments thereto, or as otherwise provided
24 by law. Such loan shall not be deemed to be an indebtedness or
25 debt of the state of Kansas within the meaning of section 6 of article
26 11 of the constitution of the state of Kansas.

27 (b) There is hereby created in the state treasury the Santa Fe
28 office building renovation fund. The secretary of administration may
29 periodically certify to the pooled money investment board amounts
30 to be transferred pursuant to this subsection. Upon certification to
31 the pooled money investment board by the secretary of administra-
32 tion of each portion of the loan amount to be transferred, the pooled
33 money investment board shall transfer the amount certified by the
34 secretary of administration from the state bank accounts described
35 in subsection (a) to the Santa Fe office building renovation fund,
36 except that the total of the amounts so certified shall not exceed the
37 loan amount specified in subsection (a).

38 New Sec. 8. State moneys shall be managed by the pooled money
39 investment board in accordance with investment policies provided
40 by law and by rules and regulations of such board. The pooled
41 money investment board shall not contract for management of in-
42 vestments by a money manager. In administering the functions of
43 the pooled money investment board, the board shall adopt rules and

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Such investment policy shall specify when or under what circumstances securities may be disposed of prior to maturity.

1 regulations establishing investment policies and procedures. Such
2 policies and procedures shall address liquidity, diversification, safety
3 of principal, yield, maturity and quality and capability of investment
4 management, with primary emphasis on safety and liquidity. Such
5 investment policies and procedures shall be reviewed annually by
6 the pooled money investment board.

7 New Sec. 9. The state treasurer shall provide for an annual in-
8 dependent audit of the office of the state treasurer. Such audit shall
9 provide a financial statement prepared according to generally ac-
10 cepted accounting principles. Such audit may be coordinated with
11 any financial-compliance audit or other financial-compliance audit
12 work conducted under the legislative post audit act. Such audit shall
13 be conducted in accordance with generally accepted accounting
14 principles auditing standards. The resulting written audit report
15 shall be issued as soon after the end of the fiscal year as is practicable.
16 Copies of this report shall be furnished to the governor, director of
17 accounts and reports, director of the budget and the legislative post
18 audit committee. A copy of the report shall be filed with the chief
19 clerk of the house of representatives and with the secretary of the
20 senate no later than the 10th calendar day of each regular session
21 of the legislature.

22 New Sec. 10. The pooled money investment board shall provide
23 for an annual independent audit of the pooled money investment
24 board. Such audit shall provide a financial statement prepared ac-
25 cording to generally accepted accounting principles. Such audit may
26 be coordinated with any financial-compliance audit or other finan-
27 cial-compliance audit work conducted under the legislative post audit
28 act. Such audit shall be conducted in accordance with generally
29 accepted auditing standards. The resulting written audit report shall
30 be issued as soon after the end of the fiscal year as is practicable.
31 Copies of this report shall be furnished to the governor, director of
32 accounts and reports, director of the budget and the legislative post
33 audit committee. A copy of the report shall be filed with the chief
34 clerk of the house of representatives and with the secretary of the
35 senate no later than the 10th calendar day of each regular session
36 of the legislature.

37 Sec. 10 11. K.S.A. 1991 Supp. 75-4201 is hereby amended to
38 read as follows: 75-4201. As used in this act, unless the context
39 otherwise requires:

- 40 (a) "Treasurer" means state treasurer.
- 41 (b) "Controller" means director of accounts and reports.
- 42 (c) "Board" means the pooled money investment board.
- 43 (d) "Bank" means a state or national bank doing business within

27

1 (8) Securities listed in paragraph (13) of subsection (d) of K.S.A.
2 9-1402 and amendments thereto within limitations of K.S.A. 9-1402
3 and amendments thereto.

4 (8) (9) All of such securities shall be current as to interest ac-
5 cording to the terms thereof.

6 (9) (10) Whenever a bond is authorized to be pledged as a secu-
7 rity under this section, such bond shall be accepted as a security
8 if: (i) In the case of a certificated bond, it is assigned, delivered or
9 pledged to the holder of the deposit for security; (ii) in the case of
10 an uncertificated bond, registration of a pledge of the bond is au-
11 thorized by the system and the pledge of the uncertificated bond is
12 registered; or (iii) in a form approved by the attorney general, which
13 assures the availability of the bond proceeds pledged as a security
14 for public deposits.

15 (q) (p) [(q)] "Savings bank" means a federally chartered savings
16 bank insured by the federal deposit insurance corporation and doing
17 business within the state of Kansas.

18 (r) (q) [(r)] "Savings and loan association" means a state or fed-
19 erally chartered savings and loan association insured by the federal
20 deposit insurance corporation and doing business within the state of
21 Kansas.

22 Sec. 11 12. K.S.A. 75-4202 is hereby amended to read as follows:
23 75-4202. All state moneys and credits received by the treasurer shall
24 be deposited daily in one or more active accounts or time deposit,
25 open accounts operating accounts, except custodial moneys which
26 shall be so deposited in custodial accounts. All disbursements shall
27 be drawn from active operating accounts. All banks having a state
28 bank account shall service all warrants, drafts or checks of the state
29 or its agencies without charge. The board shall determine the com-
30 pensation for services rendered that banks may receive on state bank
31 accounts. Such compensation may be either compensating balances
32 or fees.

33 Sec. 12 13. K.S.A. 75-4205 is hereby amended to read as follows:
34 75-4205. (a) The board shall designate one or more banks to receive
35 active operating accounts. The capital and surplus of any bank
36 having an active account shall be not less than \$2,000,000. In
37 determining the amount of the award of an active operating account
38 to any bank designated under this subsection section therefor, the
39 board shall give consideration to the amount of service to be required
40 of it. Active Operating accounts shall bear no interest.

41 (b) The aggregate moneys in all active accounts shall not
42 exceed \$40,000,000 at any time, except that in periods of an-
43 ticipated peak disbursements, the board, in its discretion, may

(s) "United States sponsored enterprises"
means, for the purposes of this act, those
enterprises for which the obligations and
securities are explicitly insured as to
principal and interest.

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tions prescribed by K.S.A. 1986 Supp. 74-8203, and amendments thereto, but such investments shall not in the aggregate exceed a total amount of \$10,000,000.

Sec. 13 14. K.S.A. 75-4208 is hereby amended to read as follows:

75-4208. (a) The board shall follow the procedure prescribed in this section preliminary to rules and regulations adopted under the provisions of section 8 of this act, in designating banks to receive deposit of state moneys in active operating accounts and inactive investment accounts. Such board shall meet on the first Monday in July of each year at such hour and place as is specified by the board. Except in any year in which such board is only exercising its option specified in subsection (c) of this section, at such meeting the board shall prepare and cause to be published in the Kansas register on or before July 15 of such year a notice as prescribed in this section. Such notice shall state that on a day specified in such notice, which shall be not later than September 1 of such year, sealed proposals will be received by the board for the deposit of state moneys and special moneys in active and inactive accounts. Such notice shall specify this section of this act as authority for its publication, and shall specify the hour and place that the proposals herein provided for will be received and opened. Such notice shall specify that proposals may be made by any eligible bank on forms which shall be prepared by the board and approved by the attorney general.

(b) At the time and place specified in such notice, all proposals which have been submitted shall be publicly opened and tabulated.

(c) Within two weeks after the meeting date specified in such notice the board shall determine which banks shall receive state active operating and inactive investment accounts for the following 12 months, with the option of such board to extend such period for an additional 12 months, and shall designate the types of accounts to be awarded each such bank and the initial amount of each award. Such initial awards which are active operating accounts shall be made as provided in K.S.A. 75-4205, and amendments thereto. Such initial awards which are inactive investment accounts shall be apportioned as is provided in K.S.A. 75-4209, and amendments thereto. Upon making the awards provided for above, the board shall notify each bank of its award, and that the same is subject to approval of securities to be pledged as prescribed in this

Sec. 14 15. K.S.A. 75-4209 is hereby amended to read as follows:

1 75-4209. (a) Inactive accounts shall be apportioned by the board
2 among the banks which propose to receive such accounts and
3 which qualify therefor in the proportion that each such bank's
4 combined capital, undivided profits and surplus bears to the
5 total capital, undivided profits and surplus of all such banks.
6 The board may award additional inactive accounts or make
7 additional deposits to existing inactive accounts at any time.
8 Awards of additional inactive accounts, additional deposits to
9 existing inactive accounts and withdrawals from inactive ac-
10 counts shall be made by the same method of apportionment,
11 except that any bank which was entitled to an inactive account
12 of \$100,000 or more, but which contracted for a lesser amount
13 shall not be entitled to receive any such additional award or
14 deposit. One hundred percent of all inactive accounts shall bear
15 interest in the amounts provided in K.S.A. 75-4210.

16 (b) If any bank does not accept the full amount of inactive
17 accounts for which it legally qualifies, the balance thereof shall
18 be apportioned in the manner prescribed in subsection (a) of
19 this section among eligible banks willing to receive additional
20 inactive accounts.

21 (c) In the event the board is unable to deposit all state and
22 special moneys which are available for inactive accounts, the
23 board shall deposit such moneys in time deposit, open accounts
24 in such bank or banks as it shall determine to be in the best
25 interest of the state or shall invest the same in repurchase
26 agreements as authorized and provided in K.S.A. 75-4205. (a)
27 After the board determines the liquidity needs for the state, and
28 determines the varying maturities of the investment accounts to be
29 offered and the amount of state moneys to be invested in each of
30 the maturities offered, in accordance with rules and regulations
31 adopted pursuant to section 8, the board shall make available state
32 moneys eligible for investment accounts in the following manner:

33 (1) The board shall offer to all banks, at one or two-year
34 maturities and at market rate, state moneys for deposit in
35 investment accounts. Such accounts shall be apportioned by
36 the board among the banks which propose to receive such
37 accounts and which qualify therefor on the basis of the ratio
38 of each bank's combined capital, undivided profits and surplus
39 to the total capital, undivided profits and surplus of all such
40 banks. Of the total amount determined available for invest-
41 ment accounts, there shall be apportioned 100% for the period
42 August 1, 1992, through June 30, 1993; 75% for fiscal year
43 1994; 50% for fiscal year 1995; and, 25% for fiscal year 1996.

For fiscal year 1997, and thereafter, the board shall apportion moneys available for investment accounts in accordance with paragraph (2).

(2) State moneys eligible for investment accounts remaining after such moneys are offered to banks under the provisions of paragraph (1) shall be offered by the board to all banks at maturities of not more than five years at or above market rate.

(3) The board may invest and reinvest state moneys eligible for investment which are not invested in accordance with paragraphs (1) or (2), in the following manner:

(A) Direct obligations of the United States government or any agency thereof;

(B) obligations of federal agencies or government sponsored enterprises, except that not more than 10% of the state moneys available for investment under this subsection shall be invested in mortgage backed securities; or

(C) repurchase agreements for securities described in subparagraph (A) or (B) of this subsection.

(1) (A) The board shall offer to all banks, on a competitive bid basis, state moneys for deposit in investment accounts at maturities of not more than four years and such bids shall be at a rate of at least the market rate, as defined in subsection (k) of K.S.A. 75-4201 and amendments thereto.

(B) As part of the offering under subparagraph (A) the board shall offer to all banks 50% of the amount of state moneys available for investment or \$350,000,000, whichever amount is greater, at maturities of not more than four years and at a rate of at least the investment rate as defined in subsection (l) of K.S.A. 75-4201 and amendments thereto. Such accounts shall be apportioned by the board among the banks which propose to receive such accounts and which qualify therefor on the basis of the ratio of each bank's combined capital, undivided profits and surplus to the total capital, undivided profits and surplus of all such banks.

(2) The board may invest and reinvest state moneys eligible for investment which are not invested in accordance with paragraph (1), in the following investments:

(A) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of the United States sponsored enterprises which under federal law may be accepted as security for funds, except that not more than 10% of the moneys available for investment under this subsection shall be invested in mortgage backed securities of such enterprises and of the government national

1 mortgage association, or

2 (B) repurchase agreements of less than 30 days' duration with a
3 Kansas bank or a primary government securities dealer which reports
4 to the market reports division of the federal reserve bank of New
5 York for direct obligations of, or obligations that are insured as to
6 principal and interest by, the United States government or any
7 agency thereof and obligations and securities of United States gov-
8 ernment sponsored enterprises which under federal law may be ac-
9 cepted as security for public funds.

10 Investments under this paragraph shall be for a period not to
11 exceed five years, except for investments in mortgage-backed
12 securities.

13 (b) At any time moneys are available for deposits or investments
14 for a period of time which is insufficient to permit deposit in in-
15 vestment accounts and or to provide for the liquidity needs for the
16 state, the board may invest such moneys in repurchase agreements
17 as authorized in [subparagraph (B) of] paragraph (2) of subsection
18 (a) for direct obligations of the United States government or
19 any agency thereof.

20 (c) When moneys are available for deposits or investments, the
21 board may invest in preferred stock of Kansas venture capital, Inc.,
22 under terms and conditions prescribed by K.S.A. 1991 Supp. 74-
23 8203, and amendments thereto, but such investments shall not in
24 the aggregate exceed a total amount of \$10,000,000.

\$5,000,000.

25 (d) When moneys are available for deposits or investments, the
26 board may invest in loans for pursuant to legislative mandates,
27 except that not more than the lesser of 10% or \$80,000,000 of the
28 state moneys shall be invested.

29 (e) Interest on investment accounts in banks is to be paid at
30 maturity, but not less than annually, except that interest on such
31 investment accounts awarded between August 1, 1992, and June 30,
32 1993, is to be paid no later than June 30, 1993.

33 (f) Investments made by the board under the provisions of this
34 section shall be made with judgment and care, under circumstances
35 then prevailing, which persons of prudence, discretion and intelli-
36 gence exercise in the management of their own affairs, not for spec-
37 ulation, but for investment, considering the probable safety of their
38 capital as well as the probable income to be derived.

39 Sec. 15 16. K.S.A. 75-4210 is hereby amended to read as follows:

40 4210. Interest shall be paid by banks having inactive ac-
41 counts in amounts which shall be determined as follows:

42 (a) Every month the Board shall meet and determine the
43 average yield before taxes of ninety-one day United States

✓ Kansas Venture Capital, Inc.; investment in by pooled money investment board and private sector investors; board of directors, composition; president; investment of funds in certain businesses and companies.

Sec. ____ K.S.A. 1991 Supp. 74-8205 is hereby amended to read as follows: 74-8203.

The secretary of the department of commerce is authorized to certify investment in nonvoting preferred stock of Kansas Venture Capital, Inc. in a total not to exceed ~~\$10,000,000~~ by the pooled money investment board as provided in K.S.A. 75-4205, and amendments thereto, under the following terms and conditions:

\$5,000,000

(a) When banks, savings and loan associations, individuals, corporations or other entities have invested \$3,500,000 of private, equity capital in voting common stock in Kansas Venture Capital, Inc., the pooled money investment board shall match that amount in nonvoting preferred stock. Subsequent investments by the pooled money investment board shall occur quarterly and shall equal the amount of additional common stock subscribed and called by Kansas Venture Capital, Inc. At no time shall the investment in preferred stock exceed the amount of investment in common stock, at no time shall the investment in preferred stock exceed \$5,000,000 until subscriptions have been accepted for at least \$10,000,000 of common stock, and at no time shall the pooled money investment board's aggregate investment exceed ~~\$10,000,000~~.

\$5,000,000

(b) The nonvoting preferred stock invested in by the pooled money investment board will receive the same rate of dividend and the same rate of capital appreciation at the same time on the same terms as the voting common stock invested in by banks, savings and loan associations, individuals, corporations or other entities.

(c) Every outstanding share representing the nonvoting preferred stock is assured of being fully repaid to the pooled money investment board before one share of the voting common stock is repaid to any bank, savings and loan association, individual, corporation or other entity. In the event that capital impairment compromises the ability of Kansas Venture Capital, Inc. to repay fully the nonvoting preferred stock, the pooled money investment board shall have the power to convert its shares to voting stock to protect its investment.

(d) Investments in common stock of Kansas Venture Capital, Inc. shall meet the terms and conditions of K.S.A. 1987 Supp. 74-8301 to 74-8311, inclusive, and amendments thereto, enacting the Kansas venture capital company act.

(e) The investments of voting common stock and nonvoting preferred stock shall be

1 less than 30 days' duration with a Kansas bank or with a primary
 2 government securities dealer which reports to the market reports
 3 division of the federal reserve bank of New York for direct obligations
 4 of, or obligations that are insured as to principal and interest by,
 5 the United States government or any agency thereof. Any moneys
 6 not so invested shall earn interest monthly based upon the average
 7 interest rate each month on repurchase agreements entered into
 8 pursuant to K.S.A. 75-4205 75-4209, and amendments thereto, and
 9 the average daily balance in the water supply storage assurance fund.
 10 Any income or interest earned by the investments shall be credited
 11 monthly to the water supply storage assurance fund.

12 (d) All expenditures from the water supply storage assurance fund
 13 shall be made for the purpose of complying with the memorandum
 14 of understanding between the state of Kansas and the United States
 15 department of the army concerning the purchase of municipal and
 16 industrial water supply storage and for the purpose of paying the
 17 principal and interest on the loan received under this section in
 18 accordance with appropriation acts upon warrants of the director of
 19 accounts and reports issued pursuant to vouchers approved by the
 20 director of the Kansas water office or by a person designated by the
 21 director.

22 Sec. 25. K.S.A. 75-4221a is hereby amended to read as follows:
 23 75-4221a. (a) There is hereby established the pooled money invest-
 24 ment board which shall consist of three five members, two four of
 25 whom shall be appointed by the governor, subject to confirmation
 26 by the senate as provided in K.S.A. 75-4315b and amendments
 27 thereto. The third fifth member shall be the state treasurer. Not
 28 more than two three members of the board shall be of the same
 29 political party. Members appointed by the governor shall serve
 30 at the pleasure of the governor. At least two members appointed
 31 to the board shall be persons who are recognized for their judgment
 32 and experience in business and financial affairs and who have a
 33 minimum of five years of investment experience.

34 (b) On July 1, 1992, the two appointive board members serving
 35 on the board immediately prior to such date shall cease to be mem-
 36 bers of the board and on such date, or as soon thereafter as possible,
 37 the governor shall appoint four members to the board to serve for
 38 terms as specified by this subsection. The two appointive members
 39 serving on the board immediately prior to July 1, 1992, may be
 40 reappointed to the board on or after such date under this subsection.
 41 Of the members first appointed on or after July 1, 1992, two members
 42 shall be appointed for a term commencing on July 1, 1992, and
 43 ending on June 30, 1994, and two members shall be appointed for

at the pleasure of the governor.

~~a term commencing on July 1, 1992, and ending on June 30, 1996.
The governor shall designate the term for each member so appointed.
Thereafter, members appointed to the board shall serve for four-
year terms and until their successors are appointed and qualified.
Whenever a vacancy occurs in the membership of the board prior
to the expiration of a term of office, the governor shall appoint a
qualified successor to fill the unexpired term.~~

(c) Members of the pooled money investment board attending meetings of such board, or attending a subcommittee meeting thereof authorized by such board, shall be paid compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto.

(b) (d) The provisions of the Kansas sunset law apply to the pooled money investment board established by this section and the board is subject to abolition under that law.

Sec. 26. K.S.A. 9-1402 is hereby amended to read as follows: 9-1402. (a) Before any deposit of public moneys or funds shall be made by any municipal corporation or quasi-municipal corporation of the state of Kansas with any state or national bank, state or federally chartered savings and loan association or federally chartered savings bank, such municipal or quasi-municipal corporation shall obtain security for such deposit in one of the following manners prescribed by this section.

(b) Such bank, state or federally chartered savings and loan association or federally chartered savings bank may give to the municipal corporation or quasi-municipal corporation a personal bond in double the amount which may be on deposit at any given time.

(c) Such bank, state or federally chartered savings and loan association or federally chartered savings bank may give a corporate surety bond of some surety corporation authorized to do business in this state, which bond shall be in an amount equal to the public moneys or funds on deposit at any given time and such bond shall be conditioned that such deposit shall be paid promptly on the order of the municipal corporation or quasi-municipal corporation making such deposits.

(d) Any state or national bank, state or federally chartered savings and loan association or federally chartered savings bank may deposit, maintain, pledge and assign, or cause its agent, trustee or an affiliate bank having identical ownership as the bank receiving the deposit of public moneys or funds to deposit, maintain, pledge and assign, for the benefit of the governing body of the municipal corporation or quasi-municipal corporation in the manner provided in this act, securities owned by it directly or indirectly through its

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1 (g) Any expense incurred in connection with granting approval
2 of revenue bonds shall be paid by the applicant for approval.

3 New Sec. 27. (a) The state treasurer is designated the cash man-
4 agement officer for the state and charged with the coordination and
5 supervision of procedures providing for the efficient handling of
6 financial assets under the control of the state treasury and each of
7 the various state agencies.

8 (b) The state treasurer shall designate a cash manager to perform
9 cash management consultations with state agencies. The cash man-
10 ager shall schedule a cash management consultation by directing a
11 request for a cash management consultation to the appropriate state
12 agency head. The request shall include, but is not limited to, the
13 following: Permission to initiate the review, the purpose of the con-
14 sultation, a commencement date, the documents and information nec-
15 essary to perform the review, request for staff assistance for the
16 review, and the expected estimated time required to complete the
17 review.

18 (c) The cash manager shall provide consultation to all state agen-
19 cies with regard to cash management operations. The cash manager
20 will develop a review program which will be an ongoing effort to
21 ensure that optimum cash management practices are being employed
22 by state agencies and that the cash management informational need
23 of state agencies are being met. In performing cash management
24 consultation services the following principles shall be followed: Ed-
25 ucation and assistance in cash management practices, full consid-
26 eration of the operating needs of state agencies in evaluating and
27 recommending procedure changes, and government-wide efficiency
28 considerations relating to cash concentration.

29 (b) As used in this section, "state agency" shall have the meaning
30 ascribed to such term under K.S.A. 75-3701 and amendments thereto.

31 New Sec. 28. The provisions of this act shall apply to all con-
32 tracts for deposit of state moneys for terms commencing on or after
33 August 1, 1992, and shall not apply to contracts for terms ending
34 prior to August 1, 1992.

35 Sec. 24 29. K.S.A. 9-1402, 12-1675, 68-2060, 75-3676, 75-3679,
36 75-4202, 75-4205, 75-4206, 75-4207, 75-4208, 75-4209, 75-4210, 75-
37 4211, 75-4212, 75-4212a, 75-4213, 75-4213a, 75-4226, 75-52,120, 75-
5341, 75-5342, 76-829 and 82a-1369 and K.S.A. 1991 Supp. 68-415,
75-4201, 75-4216 and 75-52,100 are hereby repealed.

40 Sec. 25 30. This act shall take effect and be in force from and
41 after its publication in the statute book.

The state treasurer is charged with the respon-
sibility of reviewing and making recommendations
for improvements in the procedures state agencies
utilize for the efficient handling of cash and
cash equivalents. The state treasurer or the
treasurer's designee may provide cash management
consultations with state agencies and shall

(c) Nothing in this section shall be construed
as affecting the current powers and duties of the
director of accounts and reports or director of
the budget.

strike all of lines 30 through 33 on page 30 and insert the following:

"At least three members appointed to the board shall be persons with no less than 5 years of work experience as an investment or trust officer for a financial institution, association, or corporation or is currently a certified public account or certified financial planner."