

Approved 3/3/92 Date \_\_\_\_\_

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at \_\_\_\_\_  
Chairperson

9:09 a.m./~~xxxx~~ on Thursday, February 27, 1992 in room 529-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Fred Carman, Revisor  
Richard Ryan, Research  
Bill Wolff, Research  
June Kossover, Committee Secretary

Conferees appearing before the committee:

The meeting was called to order by Chairman Bond at 9:09 a.m.

Senator Kerr made a motion, seconded by Senator Moran, to approve the minutes of the meeting of February 26, 1992, as submitted. The motion carried.

The Chairman opened the discussion on SB 480 and expressed a special note of appreciation on behalf of the committee to Richard Ryan, Fred Carman and Bill Wolff for their hard work on this bill. Senator Bond also expressed the committee's thanks to the State Treasurer, Sally Thompson, and her staff and to Jim Maag of the Kansas Bankers Association for their cooperation and spirit of compromise.

Richard Ryan of the Research Department, appeared before the committee to outline the changes in SB 480 as amended. (Attachment #1.) Mr. Ryan explained that SB 480 incorporates exactly the provisions of SB 482 and section 2 of SB 481. Mr. Ryan added that the amendments are extensive and important and the basic concept of having a pooled money investment board with authority for direct investments is still in the bill. (Attachment #2.) The committee was also furnished a chart outlining the main provisions of SB 480. (Attachment #3.)

In response to Senator Kerr's question, Senator Bond explained that all four year investments need approval of the Pooled Money Investment Board; absent PMIB's approval, maturity is limited to two years.

Senator Yost made a motion to adopt the amendments with one further change suggested by Mr. Carman on page 10 of the balloon: in new Sections 9 and 10, the word "procedures" will be changed to "principles". Senator Strick seconded the motion. The motion carried.

After expressing his concerns that the tax payer may be penalized by the penalty provisions in the bill, Senator Ward made a motion to strike the penalty section on local units of government. The motion was seconded by Senator Francisco. Following discussion regarding the need for the penalty section and a possible alternative suggested by State Treasurer Sally Thompson, a vote was taken on Senator Ward's motion to strike subsection (e), Section (4). The motion failed.

At Senator Kerr's request, Mr. Ryan explained the "capital formula" in the "Distribution" section of the chart prepared by the State Treasurer's office. Mr. Ryan also advised that two further technical amendments will be needed but will be made when the bill is heard in the House.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,  
room 529S, Statehouse, at 9:09 a.m./~~p.m.~~ on Thursday, February 27, 1992.

A motion was made by Senator Strick to pass SB 480 favorably as amended. The motion was seconded by Senator Kerr. The motion carried. The bill will be carried by Senator Yost. Senator Strick also congratulated all parties involved, specifically the subcommittee, for their excellent work.

Chairman Bond announced that there will be no committee meeting on Monday, March 2, 1992.

The committee adjourned at 9:47 a.m.

GUEST LIST

SENATE

COMMITTEE: FINANCIAL INSTITUTIONS AND INSURANCE

DATE: 2/27/92

NAME	ADDRESS	ORGANIZATION
Jim Maag	Topeka	KBA
Chuck Stone	"	"
Rick Reese	Lawrence	Forte Benefits
Nancy Reese	"	
Patricia Olson	Topeka	KBA
John Odell	"	Treas. Officer
Sally Thompson	Topeka	St. Treas.
Nancy Zielke	Kansas City	City of KCK
Herrey Ray	Platte	Johnson Co. Comm.
Nancy Hempen	Lawrence	Ks. Co. Treas. Assn.
Jim McBride	Topeka	Ch. Comm.
Chris Steineger	K.C. KS.	K.C. KS.
Sybil Oakbrook	Topeka	Pooled Money Invest. Bd.
A. Parker	Topeka	<del>Shawnee Co. Treas.</del>
Peggy Hanna	Topeka	St. Treas.
John Simon	Topeka	St. Treas.
James Taylor	Topeka	Shawnee Co.
Norm Wicks	Topeka	KASB
Patricia Deschner	Topeka	Community Bankers Assn.
Sue Anderson	Topeka	Community Bankers Assn.
Linda McGill	"	"
Mae J. Ham	Lawrence	Overland Park
Carle Palmer	Wichita	City of Wichita



R Ryan

2/27/92

SB 480, As Amended

1. Addition of "investment rate," which means the equivalent yield on U.S. govt. securities having maturities comparable to the term of the offered deposit to banks & S/Ls (local) and banks (state deposits apportioned on the capital formula). "market rate" not changed.

2. Municipal Pool (Section 1)

a) Clarified and expanded the provisions re investments in U.S. govt. & agency securities and pinned down repos

b) Inserted a 4-year limit on maturities -- U.S. govt. & agencies and deposits in fin. inst. (excl. mtg. backed & repos)

c) Added a requirement that deposits in the pool may only be made for the same maturity as was first offered to & refused by local fin. inst.

d) Created a reserve fund to cover potential losses

e) Prohibited PMIB contracting with a money manager to manage investments.

3. Direct Investments By Cities or Counties (Section 2)

a) Same as 2(a)

b) Same as 2(b)

c) Specify with whom investment transactions may be conducted

d) Inserted language to provide greater safety for repos & invest. in securities, e.g., delivery v. payment

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Attachment #1  
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and delivery to purchaser or third party custodian who may be the State Treasurer.

e) Add a penalty provision re violation of certain parts of KSA 12-1675, i.e., the requirement to first offer deposits to local fin. inst.

#### 4. General Investment Authority State - Local Units (Section 3)

a) Substitution of "investment rate" for "market rate."

b) ~~Limit~~ <sup>Limit</sup> deposits in bonds & S/Ls ~~to be~~ for maturities not exceeding 2 years (no statutory limit now).

c) Allow investment in U.S. treasury bills and notes with maturities not over 2 years (now 6 months), unless as currently local fin. inst. will not accept deposits at the benchmark rate (invest. rate in bill as amended).

d) Add same language as in Sec. 2 to provide greater safety for repos, etc.

#### 5. State Money Law (Section 15)

a) after PMIB determines liquidity needs of the state (oper. account and repos) and the varying maturities of investment accounts to be offered to lenders, such accounts shall be offered to all lenders on a competitive bid basis at maturities of not over 4 years and at a rate at least equal to the market rate.

(rather than 5 years)

(3)

However, as part of that offering, 50% of the amount of state money available for investment or \$350 million, whichever ~~is~~ greater, shall be offered to all banks at least at the investment rate, with maturities not over 4 years, to be apportioned based on the capital formula now used for state inactive accounts, and there is no phase out.

(maturity than at 1 or 2 year maturities).

(b) money not accepted by banks may be invested for not to exceed 4 years in some the same type of securities as in repos as in the original bill, but these provisions have been spelled out in more detail in the amended version.

(c) The investment rate as calculated by the State Treasurer is required to be published weekly in the Ks Reg. and the market rate must be calculated on the day before the offering of deposits to banks.

## 6. PMIB (Sec 25)

SB 482, re expansion of the PMIB from 3 to 5 members, is included in SB 480.

## 7. State Treasurer - Cash Management (Section 27)

That part of SB 481 which designates the State Treasurer as the

(4)

Cash management officer for the state also is included in SB 480.

First Lien Mortgages - Collateral (Section 26)

Negotiable promissory notes secured by first lien mortgages on 1 to 4 family res. RE are made eligible for pledging collateral to secure both local and state accounts in gen. inst., if certain conditions are met as set out in KSA 9-1402 as amended.



SENATE BILL No. 480

By Committee on Legislative Budget

Re Proposal No. 17

12-23

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

9-1402,  
75-4221a,

18  
 19 *Be it enacted by the Legislature of the State of Kansas:*  
 20 ~~New Section 1. (a) Moneys deposited by any municipality with~~  
 21 ~~the state treasurer for investment authorized in paragraph (6) of~~  
 22 ~~subsection (b) of K.S.A. 12-1675, and amendments thereto, shall be~~  
 23 ~~deposited in the municipal investment pool fund which is hereby~~  
 24 ~~created in the state treasury.~~  
 25 (b) The pooled money investment board may invest and reinvest  
 26 moneys in the municipal investment pool fund in the following  
 27 investments:  
 28 (1) Direct obligations of the United States government or any  
 29 agency thereof;  
 30 (2) obligations of federal agencies or government sponsored en-  
 31 terprises, except that not more than 10% of the moneys available  
 32 for investment under this paragraph shall be invested in mortgage  
 33 backed securities;  
 34 (3) interest-bearing time deposits in any of the following, which  
 35 is doing business within the state of Kansas, any state or national  
 36 bank, state or federally chartered savings and loan association, or  
 37 federally chartered savings bank; or  
 38 (4) repurchase agreements for securities described in paragraph  
 39 (1) or (2).  
 40 (c) All interest earnings received from investments of money in  
 41 the municipal investment pool fund shall be credited to the municipal  
 investment pool fund. Interest earnings on investments due each  
 participating municipality shall be prorated and credited to the in-

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 Attachment #2

~~dividual account of the municipalities, maintained by the state treasurer. A statement for each municipality participating unit account showing deposits, withdrawals and earnings distributions shall be provided periodically to the municipality.~~

~~(d) The state treasurer may assess reasonable charges not to exceed 1% of the interest earned against the fund for reimbursement of expenses incurred in administering the fund. The state treasurer shall certify, periodically, the amount of the assessment and only the director of accounts and reports shall transfer the amount certified from the municipal investment pool fund to the municipal investment pool fund fee fund, which is hereby created. All expenditures from the municipal investment pool fund fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state treasurer or a person or persons designated by the state treasurer.~~

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

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

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

~~(2) obligations of federal agencies or government sponsored enterprises, except that not more than 10% of the moneys available for investment under this subsection shall be invested in mortgage backed securities;~~

~~(3) interest-bearing time deposits in any of 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~~

~~(4) repurchase agreements for securities described in paragraph (1) or (2).~~

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

~~Sec. 3. K.S.A. 12-1675 is hereby amended to read as follows: 12-1675. (a) The governing body of any county, city, township, school district, area vocational-technical school, community college, fire-~~

See attached - New Secs. 1 and 2

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

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

(1) 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 United States sponsored enterprises which under federal law may be accepted as security for public 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 mortgage association;

(2) interest-bearing time deposits in any of 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

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

(c) All interest earnings received from investments of money in the municipal investment pool fund shall be credited to the municipal investment pool fund. Interest earnings experienced by the fund on investments attributable to each participating

municipality shall be prorated and applied to the individual account of the municipalities, maintained by the state treasurer. A statement for each municipality participating unit account showing deposits, withdrawals, earnings and losses distributions shall be provided periodically to the municipality. The state treasurer shall make comprehensive reports to municipalities, including a recap of transactions for the period as well as the current market value of the pool investments.

(d) The state treasurer may assess reasonable charges not to exceed 1% of the interest earned against the fund for reimbursement of expenses incurred in administering the fund. The state treasurer shall certify, periodically, the amount of the assessment and the director of accounts and reports shall transfer the amount certified from the municipal investment pool fund to the municipal investment pool fund fee fund, which is hereby created. All expenditures from the municipal investment pool fund fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state treasurer or a person or persons designated by the state treasurer. Amounts of gains realized on disposition of investments of the municipal investment pool fund shall be periodically certified by the state treasurer, and the director of accounts and reports shall transfer the amount certified from the municipal investment pool fund to the municipal investment pool reserve fund which is hereby created in the state treasury. The state treasurer shall make a determination of the amount needed for a reserve for possible losses to the municipal investment pool fund and shall certify periodically such amount, and the director of accounts and reports shall transfer the amount so certified from the municipal investment pool fund fee fund to the municipal investment pool reserve fund. If the state treasurer makes a determination that significant losses or gains have occurred to the municipal investment pool fund, the state treasurer shall certify the amount thereof to the director of accounts and

reports, and the director of accounts and reports shall transfer the amount so certified from the municipal investment pool reserve fund to the municipal investment pool fund.

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

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

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

(h) Deposits in the municipal investment pool may only be made for the same period before maturity as the period before maturity which is offered under paragraphs (2) and (3) of subsection (b) of K.S.A. 12-1675 and amendments thereto.

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

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

(1) 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 United States sponsored enterprises which under federal law may be

accepted as security for public 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 mortgage association;

(2) interest-bearing time deposits in any of 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

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

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

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

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

(2) All securities shall be perfected in the name of the city or county and shall be delivered to the purchaser or a third party custodian which may be the state treasurer.

(3) 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.

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

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

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1 men's relief association, community mental health center, community  
2 facility for the mentally retarded or any other governmental entity,  
3 unit or subdivision in the state of Kansas having authority to receive,  
4 hold and expend public moneys or funds may invest any moneys  
5 which are not immediately required for the purposes for which the  
6 moneys were collected or received, and the investment of which is  
7 not subject to or regulated by any other statute.

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

9 (1) In temporary notes or no-fund warrants issued by such in-  
10 vesting governmental unit;

11 (2) in time deposit, open accounts or certificates of deposit: (A) [with maturities of not more than two years

12 In commercial banks which have offices located in such investing  
13 governmental unit; or (B) if the office of no commercial bank is  
14 located in such investing governmental unit, then in commercial  
15 banks which have offices in the county or counties in which all or  
16 part of such investing governmental unit is located; or (C) if such  
17 appropriate eligible commercial banks cannot or will not make de-  
18 posits available to the investing governmental unit at interest rates  
19 equal to or greater than the average yield before taxes received  
20 on ninety-one day United States treasury bills as determined  
21 by the federal reserve banks, as fiscal agents of the United  
22 States, at its most recent public offering of such bills prior to

23 the inception of such deposit contract ~~market~~ rate, as defined in [investment

24 subsection (4) of K.S.A. 75-4201, and amendments thereto, then in [(1)

25 commercial banks which have offices in the county or counties of  
26 the state of Kansas adjacent to the county or counties in which all  
27 or part of such investing governmental unit is located;

28 (3) in time certificates of deposit: (A) With state or federally [with maturities of not more than two years

29 chartered savings and loan associations or federally chartered savings  
30 banks which have offices located in such investing governmental unit;  
31 or (B) if the office of no state or federally chartered savings and loan  
32 association or federally chartered savings bank is located in such  
33 governmental unit, then with state or federally chartered savings  
34 and loan associations or federally chartered savings banks which have  
35 offices in the county or counties in which all or part of such investing  
36 governmental unit is located; or (C) if such appropriate eligible state  
37 or federally chartered savings and loan associations or federally char-  
38 tered savings banks cannot or will not make such deposits available  
39 to the investing governmental unit at interest rates equal to or greater  
40 than the average yield before taxes received on ninety-one day  
41 United States treasury bills as determined by the federal re-  
42 serve banks, as fiscal agents of the United States, at its most  
43 recent public offering of such bills prior to the inception of



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such deposit contract ~~market~~ rate, as defined in subsection (a) of investment  
 2 K.S.A. 75-4201, and amendments thereto, then with state or federally (1)  
 3 chartered savings and loan associations or federally chartered savings  
 4 banks which have offices in the county or counties of the state of  
 5 Kansas adjacent to the county or counties in which all or part of  
 6 such investing governmental unit is located;

7 (4) in repurchase agreements with: (A) Commercial banks, state  
 8 or federally chartered savings and loan associations or federally char-  
 9 tered savings banks which have offices located in such investing  
 10 governmental unit, for direct obligations of, or obligations that are  
 11 insured as to principal and interest by, the United States government  
 12 or any agency thereof; or (B) (i) if the office of no commercial bank,  
 13 state or federally chartered savings and loan association or federally  
 14 chartered savings bank is located in such investing governmental  
 15 unit; or (ii) if no commercial bank, state or federally chartered savings  
 16 and loan association or federally chartered savings bank has an office  
 17 located in such investing governmental unit is willing to enter into  
 18 such an agreement with the investing governmental unit at an in-  
 19 terest rate equal to or higher than a rate equal to two percentage  
 20 points below the average yield before taxes received on ninety-  
 21 one day United States treasury bills as determined by the fed-  
 22 eral reserve banks, as fiscal agents of the United States, at its

23 most recent offering of such bills prior to the inception of such investment  
 24 contract greater than the ~~market~~ rate, as defined in subsection (a) (1)  
 25 of K.S.A. 75-4201, and amendments thereto, then such repurchase  
 26 agreements may be entered into with commercial banks, state or  
 27 federally chartered savings and loan associations or federally char-  
 28 tered savings banks which have offices in the county or counties in  
 29 which all or part of such investing governmental unit is located; or  
 30 (C) if no bank, state or federally chartered savings and loan association  
 31 or federally chartered savings bank which has its office in such county  
 32 or counties is willing to enter into such an agreement with the  
 33 investing governmental unit at an interest rate equal to or higher  
 34 than a rate equal to two percentage points below the average  
 35 yield before taxes received on ninety-one day United States  
 36 treasury bills as determined by the federal reserve banks, as  
 37 fiscal agents of the United States, at its most recent offering of

38 such bills prior to the inception of such contract greater than investment  
 39 the ~~market~~ rate, as defined in subsection (a) of 75-4201, and amend- (1)  
 40 ments thereto, then such repurchase agreements may be entered  
 41 into with commercial banks, state or federally chartered savings and  
 42 loan associations or federally chartered savings banks which have  
 43 offices in the state of Kansas: or

2-10

1 (5) in United States treasury bills or notes with maturities as the  
2 governing body shall determine, but not exceeding ~~six months~~ two years

3 (6) in the municipal investment pool fund established in section  
4 1 of this act;

5 (7) in the investments authorized in section 2 of this act; or and in accordance with the conditions  
6 (8) with the trust departments of commercial banks which have prescribed

7 offices located in such investing governmental unit or with the trust  
8 ~~department of banks~~ which have contracted to provide trust services companies

9 under the provisions of K.S.A. 9-2107, and amendments thereto,  
10 with commercial banks which have offices located in such investing  
11 governmental unit. Public moneys invested under this paragraph  
12 shall be secured in the same manner as provided for under K.S.A.  
13 9-1402, and amendments thereto. Investments of public moneys un-  
14 der this paragraph shall be limited to those investments authorized  
15 under subsection (b) of section 1 of this act.

16 (c) The investment investments authorized in paragraph (5) par-  
17 agraphs (5), (6), (7) or (8) of subsection (b) shall be utilized only if  
18 the appropriate eligible commercial banks, which have offices located  
19 in the investing governmental unit or in the county or counties in  
20 which all or a part of such investing governmental unit is located if  
21 no such bank has an office which is located within such governmental  
22 unit, or the appropriate eligible state or federally chartered savings  
23 and loan associations or federally chartered savings banks, which  
24 have offices located in the investing governmental unit or in the  
25 county or counties in which all or a part of such investing govern-  
26 mental unit is located if no such state or federally chartered savings  
27 and loan association or federally chartered savings bank has an office  
28 which is located within such governmental unit, cannot or will not  
29 make the investments authorized in paragraph (2) or (3) of subsection  
30 (b) available to the investing governmental unit at interest rates equal  
31 to or greater than the average yield before taxes received on  
32 ninety-one day United States treasury bills as determined by  
33 the federal reserve banks as fiscal agents of the United States  
34 at its most recent public offering of such bills prior to the investment  
35 inception of such deposit contract market rate, as defined in  
36 subsection (c) of K.S.A. 75-4201, and amendments thereto. (1)

37 (d) In selecting a depository pursuant to paragraph (2) or (3) of  
38 subsection (b), if a commercial bank, state or federally chartered  
39 savings and loan association or federally chartered savings bank has  
40 an office located in the investing governmental unit and such financial  
41 institution will make such deposits available to the investing gov-  
42 ernmental unit at interest rates equal to or greater than the average  
43 yield before taxes received on ninety-one day United States

2 treasury bills as determined by the federal reserve banks as  
 3 fiscal agents of the United States, at its most recent public  
 4 offering of such bills prior to the inception of such deposit  
 5 contract ~~market~~rate, as defined in subsection (b) of K.S.A. 75-4201,  
 6 and amendments thereto, and such financial institution otherwise  
 7 qualifies for such deposit, the investing governmental unit shall select  
 8 one or more of such financial institutions for deposit of funds pursuant  
 9 to this section. If no such financial institution qualifies for such  
 10 deposits, the investing governmental unit shall select for such de-  
 11 posits one or more commercial banks, state or federally chartered  
 12 savings and loan associations or federally chartered savings banks  
 13 which have offices in the county or counties in which all or a part  
 14 of such investing governmental unit is located which will make such  
 15 deposits available to the investing governmental unit at interest rates  
 16 equal to or greater than the average yield before taxes received  
 17 on ninety-one day United States treasury bills as determined  
 18 by the federal reserve banks as fiscal agents of the United  
 19 States, at its most recent public offering of such bills prior to  
 20 the inception of such deposit contract ~~market~~rate, as defined in  
 21 subsection (b) of K.S.A. 75-4201, and amendments thereto, and which  
 22 otherwise qualify for such deposits. If no such financial institution  
 23 qualifies for such deposits, the investing governmental unit may  
 24 select for such deposits one or more commercial banks, state or  
 25 federally chartered savings and loan associations or federally char-  
 26 tered savings banks which have offices in the county or counties of  
 27 the state of Kansas adjacent to the county or counties in which all  
 28 or a part of the investing governmental unit is located.

investment  
(1)

investment  
(1)

29 Sec. 4. K.S.A. 1991 Supp. 68-415 is hereby amended to read as  
 30 follows: 68-415. (a) Whenever any person, firm or any corporation  
 31 created for the purpose of constructing and maintaining magnetic  
 32 telegraph or telephone lines or other telecommunication facilities or  
 33 for the purpose of constructing and maintaining lines for the trans-  
 34 mission of electric current or for the purpose of transporting oil or  
 35 gas or water by pipelines, or municipal corporations, shall construct  
 36 or maintain poles, piers, abutments, pipelines or other fixtures along,  
 37 upon or across any state highway, such poles, wires, piers, abut-  
 38 ments, pipelines and other fixtures shall be located upon that part  
 39 of the right-of-way of the state highway designated by the secretary  
 40 of transportation. The secretary of transportation may require the  
 41 removal of such poles, piers, abutments, wires and pipelines and  
 other fixtures upon state highways from any location on the state  
 highways to such part of the right-of-way of the state highways as  
 the secretary of transportation shall designate, and if such person,

(e) (1) All security purchases shall occur on a delivery  
 versus payment basis.  
 (2) All securities shall be perfected in the name of the  
 investing governmental unit and shall be delivered to the  
 purchaser or a third party custodian which may be the state  
 treasurer.

1 firm or corporation, upon receiving notice of the requirement of the  
2 secretary of transportation that such poles, piers, abutments, wires,  
3 pipelines or other fixtures be moved, fails to comply with any such  
4 requirement, the secretary of transportation may remove such poles,  
5 piers, abutments, wires, pipelines and other fixtures to such place  
6 on the right-of-way of the state highways as may be designated by  
7 the secretary of transportation, and the cost of such removal shall  
8 be paid to the secretary of transportation by such person, firm or  
9 corporation upon a statement of cost being furnished to such person,  
10 firm or corporation.

11 If such person, firm or corporation refuses to pay the charges, the  
12 secretary of transportation shall notify the attorney general, who shall  
13 bring suit against such person, firm or corporation in the name of  
14 the state to recover the amount. Any amounts received from such  
15 persons, firms or corporations shall be deposited in the state treasury  
16 and credited to the fund from which the cost of such removal was  
17 paid.

18 (b) In addition to the powers provided in subsection (a), the  
19 secretary may advance moneys to a public utility or entity when the  
20 utilities, structures or facilities of such public utility or entity are  
21 being moved, modified or relocated and in the secretary's opinion  
22 the expeditious movement, modification or relocation of such utili-  
23 ties, structures or facilities, from current or proposed highway right-  
24 of-way, is necessitated by a current or proposed highway project.  
25 The secretary shall not advance moneys to a public utility or entity,  
26 unless such public utility or entity can demonstrate a financial need  
27 for the advancement of such moneys.

28 The secretary shall not advance moneys in excess of \$20,000, per  
29 project, to any one public utility or entity. Such public utility or  
30 entity advanced money by the secretary shall pay interest upon such  
31 money at the rate of interest equal to the rate prescribed by K.S.A.  
32 75-4210, and amendments thereto, for inactive accounts of the  
33 state average yield before taxes received on 91-day United States  
34 treasury bills as determined by the federal reserve banks as fiscal  
35 agents of the United States at its most recent public offering of such  
36 bills in effect on the date of the advancement of such money. The  
37 term for the repayment of such money by such public utility or  
38 entity shall not exceed 60 months.

prior to

39 Nothing in this subsection shall give any public utility or entity  
40 any standing on rights of compensation not currently available under  
41 law, and all such payments are deemed a matter of legislative policy  
42 to rest solely within the discretion of the secretary of transportation  
43 for the purpose of expediting the construction, reconstruction or

1 maintenance of the state highway system.

2 The secretary of transportation shall adopt rules and regulations  
3 establishing the procedure and criteria for the advancement of mon-  
4 eys under the provisions of this subsection.

5 Sec. 5. K.S.A. 68-2060 is hereby amended to read as follows:  
6 68-2060. All moneys received pursuant to the authority of this act,  
7 whether as proceeds from the sale of bonds or as revenues or oth-  
8 erwise, shall be deemed to be trust funds to be held and applied  
9 solely as provided in this act. Any officer with whom, or any bank  
10 or trust company with which, such moneys shall be deposited shall  
11 act as trustee of such moneys and shall hold and apply the same for  
12 the purposes hereof, subject to such regulations as this act and the  
13 resolution authorizing the bonds or the trust agreement securing  
14 such bonds may provide. Trust funds received pursuant to this act  
15 may be invested as determined by the authority with banks au-  
16 thorized to do business in Kansas at rates of interest not less than  
17 that paid on state ~~inactive investment~~ accounts *at comparable ma-*  
18 *turities* or in direct obligations of the United States or in obligations  
19 that are fully guaranteed as to principal and interest by the United  
20 States.

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

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1 an indebtedness or debt of the state of Kansas within the meaning  
2 of section 6 of article 11 of the constitution of the state of Kansas.

3 (b) There is hereby created in the state treasury the state printing  
4 plant construction fund. From and after the effective date of this  
5 act, the secretary of administration may periodically certify to the  
6 pooled money investment board amounts to be transferred pursuant  
7 to this subsection. Upon certification to the pooled money investment  
8 board by the secretary of administration of the amounts of the loan  
9 authorized by subsection (a), the pooled money investment board  
10 shall transfer amounts certified by the secretary of administration  
11 from the state bank accounts described in subsection (a) to the state  
12 printing plant construction fund which in the aggregate do not exceed  
13 the amount specified in subsection (a).

14 Sec. 7. K.S.A. 75-3679 is hereby amended to read as follows:  
15 75-3679. (a) To provide for the payment of the costs of making  
16 renovations to the state-owned Santa Fe building and expenses re-  
17 lated thereto, the pooled money investment board is authorized and  
18 directed to loan to the secretary of administration sufficient funds  
19 therefor in amounts which in the aggregate do not exceed \$4,530,000.  
20 The pooled money investment board is authorized and directed to  
21 use any moneys in the ~~active accounts, inactive accounts or time~~  
22 ~~deposits, open accounts operating accounts, investment accounts~~  
23 ~~or other investments~~, of the state of Kansas to provide funds for such  
24 loan. Commencing on January 1, 1988, such loan shall bear interest  
25 and the rate of interest shall be fixed each January 1 at a rate equal  
26 to the ~~rate prescribed by K.S.A. 75-4210 and amendments~~  
27 ~~thereto for inactive accounts of the state effective average yield~~  
28 ~~before taxes received on 91-day United States treasury bills as de-~~  
29 ~~termined by the federal reserve banks as fiscal agents of the United~~  
30 ~~States at its most recent public offering of such bills in effect~~ on  
31 such date. The loan principal and interest thereon shall be payable  
32 solely from revenues derived from charges imposed pursuant to  
33 K.S.A. 75-3651, and amendments thereto, or as otherwise provided  
34 by law. Such loan shall not be deemed to be an indebtedness or  
35 debt of the state of Kansas within the meaning of section 6 of article  
36 11 of the constitution of the state of Kansas.

37 (b) There is hereby created in the state treasury the Santa Fe  
38 office building renovation fund. The secretary of administration may  
39 periodically certify to the pooled money investment board amounts  
40 to be transferred pursuant to this subsection. Upon certification to  
41 the pooled money investment board by the secretary of administra-  
42 tion of each portion of the loan amount to be transferred, the pooled  
43 money investment board shall transfer the amount certified by the

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secretary of administration from the state bank accounts described in subsection (a) to the Santa Fe office building renovation fund, except that the total of the amounts so certified shall not exceed the loan amount specified in subsection (a).

State moneys shall be managed by the pooled money investment board in accordance with investment policies provided by law and by rules and regulations of such board. The pooled money investment board shall not contract for management of investments by a money manager.

New Sec. 8. In administering the functions of the pooled money investment board, the board shall adopt rules and regulations establishing investment policies and procedures. Such policies and procedures shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. Such investment policies and procedures shall be reviewed annually by the pooled money investment board.

Such audit shall provide a financial statement prepared according to generally accepted accounting procedures principles.

New Sec. 9. The state treasurer shall provide for an annual independent audit of the office of the state treasurer. Such audit may be coordinated with any financial-compliance audit or other financial-compliance audit work conducted under the legislative post audit act. Such audit shall be conducted in accordance with generally accepted accounting principles. The resulting written audit report shall be issued as soon after the end of the fiscal year as is practicable.

auditing standards

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.

New Sec. 10. The pooled money investment board shall provide for an annual independent audit of the pooled money investment board. Such audit shall provide a financial statement prepared according to generally accepted accounting procedures principles. Such audit may be coordinated with any financial-compliance audit or other financial-compliance audit work conducted under the legislative post audit act. Such audit shall be conducted in accordance with generally accepted auditing standards. 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.

11

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

- (a) "Treasurer" means state treasurer.
- (b) "Controller" means director of accounts and reports.
- (c) "Board" means the pooled money investment board.
- (d) "Bank" means a state or national bank doing business within the state of Kansas.
- (e) "State moneys" means all moneys in the treasury of the state or coming lawfully into the possession of the treasurer.
- (f) "Custodial moneys" means state moneys deposited with the treasurer which, in the written opinion of the attorney general, are required by contract, bequest or law to be segregated from other bank accounts.
- (g) "Special moneys" means moneys which are required to be or are deposited in a custodial bank account or a fee agency account by the state or any agency thereof.
- (h) "State bank account" means state moneys or special moneys

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1 deposited in accordance with the provisions of this act.

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

5 (j) "Inactive Investment account" means a state bank account  
6 which is not payable on demand but shall not include custodial  
7 accounts.

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

15 (l) "Market rate" means the average of the average equivalent  
16 yield, with equivalent maturities, of: (1) United States government  
17 securities; and (2) debt obligations of the following United States  
18 government agencies, federal home loan banks, federal national  
19 mortgage association and federal farm credit bank.

20 ~~(l)~~ "Custodial account" means a state bank account of custodial  
21 moneys. (m)

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

25 ~~(n)~~ "Disbursement" means a payment of any kind whatsoever (o)  
26 made from the state treasury or from any active operating account,  
27 except transfer of state or special moneys between or among active  
28 operating accounts and inactive investment accounts or either or  
29 both of them.

30 (o) "Interest period" means three months commencing on  
31 the date an inactive account is initially deposited, and each  
32 three months thereafter, and in the case of time deposit, open  
33 accounts means the period of the deposit but not exceeding  
34 three months. (p)

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

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

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

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



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

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

(5) Temporary notes of any municipal corporation or quasi-municipal corporation within the state of Kansas which are general obligations of the municipal corporation or quasi-municipal corporation issuing the same.

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

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

~~(8)~~ All of such securities shall be current as to interest according to the terms thereof.

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

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

(r) (q) "Savings and loan association" means a state or federally

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

(9)

(10)

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2-18

1 chartered savings and loan association insured by the federal deposit  
2 insurance corporation and doing business within the state of Kansas.

3 Sec. H. K.S.A. 75-4202 is hereby amended to read as follows:

12

4 75-4202. All state moneys and credits received by the treasurer shall  
5 be deposited daily in one or more active accounts or time deposit,  
6 open accounts *operating accounts*, except custodial moneys which  
7 shall be so deposited in custodial accounts. All disbursements shall  
8 be drawn from active *operating* accounts. All banks having a state  
9 bank account shall service all warrants, drafts or checks of the state  
10 or its agencies without charge. The board shall determine the com-  
11 penetration that banks may receive on state bank accounts. Such com-  
12 penetration may be either compensating balances or fees.

for services rendered

13

13 Sec. H. K.S.A. 75-4205 is hereby amended to read as follows:

14 75-4205. (a) The board shall designate one or more banks to receive  
15 active *operating* accounts. The capital and surplus of any bank  
16 having an active account shall be not less than \$2,000,000. In  
17 determining the amount of the award of an active *operating* account  
18 to any bank designated under this subsection *section* therefor, the  
19 board shall give consideration to the amount of service to be required  
20 of it. Active *Operating* accounts shall bear no interest.

21 (b) The aggregate moneys in all active accounts shall not  
22 exceed \$40,000,000 at any time, except that in periods of an-  
23 ticipated peak disbursements, the board, in its discretion, may  
24 cause the aggregate moneys in the active accounts to exceed  
25 such amount for the duration of such periods of peak disburse-  
26 ments, not to exceed 10 days. At any time moneys in active  
27 accounts exceed 50% of the award of such accounts, additional  
28 moneys may be deposited in time deposit, open accounts.

29 (c) If the aggregate of all active accounts exceeds the limit  
30 prescribed in subsection (b), the board shall direct the treasurer  
31 to make withdrawals within 60 days of sufficient moneys to  
32 reduce the amount in the active accounts below such limit,  
33 and such withdrawals shall be made in accordance with the  
34 formula prescribed for the initial award of such moneys. The  
35 moneys so withdrawn shall be transferred to and deposited in  
36 inactive accounts in accordance with the formula prescribed in  
37 K.S.A. 75-4207 and 75-4209, and amendments thereto, for initial  
38 deposits in inactive accounts except that any bank which was  
39 entitled to an inactive account award of \$100,000 or more under  
40 the provisions of K.S.A. 75-4209, and amendments thereto, but  
41 which contracted for a lesser amount shall not be entitled to  
42 receive such additional deposits.

43 (d) When moneys are available for deposit for not to exceed

60 days in time deposit, open accounts; the board shall deposit such moneys in time deposit, open accounts in the banks and in the proportion prescribed by K.S.A. 75-4206, and amendments thereto; for the making of such deposits of moneys or if the board determines that it is impossible to deposit such moneys in time deposit, open accounts; it shall invest the same in repurchase agreements of less than 30 days' duration with a Kansas bank or with a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof.

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

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

1 shall specify the hour and place that the proposals herein pro-  
 2 vided for will be received and opened. Such notice shall spee-  
 3 cify that proposals may be made by any eligible bank on forms  
 4 which shall be prepared by the board and approved by the  
 5 attorney general.

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

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

23 Sec. 14. K.S.A. 75-4209 is hereby amended to read as follows:  
 24 75-4209. (a) Inactive accounts shall be apportioned by the board  
 25 among the banks which propose to receive such accounts and  
 26 which qualify therefor in the proportion that each such bank's  
 27 combined capital, undivided profits and surplus bears to the  
 28 total capital, undivided profits and surplus of all such banks.  
 29 The board may award additional inactive accounts or make  
 30 additional deposits to existing inactive accounts at any time.  
 31 Awards of additional inactive accounts, additional deposits to  
 32 existing inactive accounts and withdrawals from inactive ac-  
 33 counts shall be made by the same method of apportionment,  
 34 except that any bank which was entitled to an inactive account  
 35 of \$100,000 or more, but which contracted for a lesser amount  
 36 shall not be entitled to receive any such additional award or  
 37 deposit. One hundred percent of all inactive accounts shall bear  
 38 interest in the amounts provided in K.S.A. 75-4210.

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

1 (e) In the event the board is unable to deposit all state and  
2 special moneys which are available for inactive accounts, the  
3 board shall deposit such moneys in time deposit, open accounts  
4 in such bank or banks as it shall determine to be in the best  
5 interest of the state or shall invest the same in repurchase  
6 agreements as authorized and provided in K.S.A. 75-4205. (a)  
7 After the board determines the liquidity needs for the state, the  
8 board shall make available state moneys eligible for investment ac-  
9 counts in the following manner:

and determines the varying maturities of the investment accounts to be offered and the amount of state moneys to be invested in each of the maturities offered, in accordance with rules and regulations adopted pursuant to section 8,

1-2-2

10 ~~(1) The board shall offer to all banks, at one or two year ma-  
11 turities and at market rate, state moneys for deposit in investment  
12 accounts. Such accounts shall be apportioned by the board among  
13 the banks which propose to receive such accounts and which qualify  
14 therefor on the basis of the ratio of each bank's combined capital,  
15 undivided profits and surplus to the total capital, undivided profits  
16 and surplus of all such banks. Of the total amount determined  
17 available for investment accounts, there shall be apportioned 100%  
18 for the period August 1, 1992, through June 30, 1993; 75% for fiscal  
19 year 1994; 50% for fiscal year 1995; and, 25% for fiscal year 1996.  
20 For fiscal year 1997, and thereafter, the board shall apportion mon-  
21 eys available for investment accounts in accordance with paragraph  
22 (2).~~

(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 (1) 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.

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

(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:

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

(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 public 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 mortgage association; or

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

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

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

36 (C) repurchase agreements for securities described in subpara-  
37 graph (A) or (B) of this subsection.

four

38 Investments under this paragraph shall be for a period not to  
39 exceed ~~five~~ years, except for investments in mortgage-backed  
40 securities.

or

41 (b) At any time moneys are available for deposits or investments  
42 for a period of time which is insufficient to permit deposit in in-  
43 vestment accounts and to provide for the liquidity needs for the

1 state, the board may invest such moneys in repurchase agreements  
 2 for direct obligations of the United States government or any agency  
 3 thereof.

4 (c) When moneys are available for deposits or investments, the  
 5 board may invest in preferred stock of Kansas venture capital, inc.,  
 6 under terms and conditions prescribed by K.S.A. 1991 Supp. 74-  
 7 8203, and amendments thereto, but such investments shall not in  
 8 the aggregate exceed a total amount of \$10,000,000.

9 (d) When moneys are available for deposits or investments, the  
 10 board may invest in loans ~~for~~ legislative mandates, except that not  
 11 more than the lesser of 10% or \$80,000,000 of the state moneys shall  
 12 be invested.

13 (e) Interest on investment accounts in banks is to be paid at  
 14 maturity, but not less than annually, except that interest on such  
 15 investment accounts awarded between August 1, 1992, and June 30,  
 16 1993, is to be paid no later than June 30, 1993.

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

23 Sec. 15. K.S.A. 75-4210 is hereby amended to read as follows:  
 24 75-4210. Interest shall be paid by banks having inactive ac-  
 25 counts in amounts which shall be determined as follows:

26 (a) Every month the board shall meet and determine the  
 27 average yield before taxes of ninety-one day United States  
 28 treasury bills for the three (3) months next preceding such  
 29 meeting. The first such determination shall be made in the  
 30 month this act takes effect. Each such determination shall be  
 31 computed to five (5) significant places by using a formula ap-  
 32 proved by the board and the attorney general, and such de-  
 33 termination shall be based upon information published in the  
 34 monthly issues of the federal reserve bulletin or other author-  
 35 itative sources of the federal government. Such determination  
 36 shall be recorded and shall be available for inspection by any  
 37 person at all reasonable times in the office of the treasurer.

38 (b) Commencing on the first day of each interest period,  
 39 interest shall be earned on inactive accounts at a rate equal to  
 40 one hundred percent (100%) of the average market yield before  
 41 taxes of ninety-one day United States treasury bills as deter-  
 42 mined by the board in the most recent such determination prior  
 43 to the interest period. Interest earned in any interest period

as authorized in paragraph (2) of subsection (a)

pursuant to

16

2-22

2-23

shall be paid on the last day of such interest period at the interest rate determined to be effective at the beginning of such interest period.

(e) Interest on additions to any inactive account shall be earned at the rate applicable to the balance in such inactive account at the time the addition is made and shall continue at such rate until the end of the interest period then current. The treasurer shall calculate the ~~market rate~~ and publish such rate weekly in the Kansas register.

investment rate, as defined in subsection (l) of K.S.A. 75-4201 and amendments thereto, on Monday of each week

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

17 that week

The treasurer shall also calculate the market rate as defined in subsection (k) of K.S.A. 75-4201 and amendments thereto on the day before the offering of moneys to Kansas banks.

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

18

1 the United States government or any agency thereof.

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

5 (b) The bank, savings bank or savings and loan association re-  
6 ceiving or having a state bank account shall deposit or cause its  
7 agent, trustee or an affiliate bank having identical ownership as the  
8 bank receiving or having such account to deposit, securities owned  
9 by it, or by its agent or trustee holding securities on its behalf, or  
10 by such affiliate bank, in one of the following ways:

11 (1) Deposit with the treasurer.

12 (2) Deposit with a bank having adequate modern facilities for the  
13 safekeeping of securities and doing business in the state of Kansas,  
14 and which facilities shall have had the prior approval of the board.  
15 Any such bank receiving securities for safekeeping shall be liable to  
16 the state for any loss suffered by the state in the event such bank  
17 relinquishes the custody of any such securities contrary to the pro-  
18 visions of this act or rules and regulations adopted thereunder. No  
19 such deposit of securities shall be made in any facility owned or  
20 controlled directly or indirectly by the bank depositing the same.

21 (3) Deposit with the federal reserve bank of Kansas City,  
22 Missouri.

23 (4) Deposit with the federal home loan bank of Topeka, Kansas.

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

25 (c) Any such deposit of securities, except with the treasurer, shall  
26 have a joint custody receipt taken therefor with one copy going to  
27 the treasurer and one copy going to the bank, savings bank or savings  
28 and loan association which deposits such securities. In lieu of the  
29 initial deposit of securities provided for in this subsection (c), the  
30 treasurer or the treasurer's duly authorized deputy, for a period of  
31 not to exceed 10 calendar days, may accept the telephone assurance  
32 of a bank qualified as provided in (2) or (3) of subsection (b), that  
33 the depository bank has requested the issuance of a joint custody  
34 receipt with the state of Kansas, specifying the securities pledged,  
35 for the purpose of compliance with this section and that such joint  
36 custody receipt will be forthcoming.

37 (d) Securities deposited to comply with this section may be with-  
38 drawn on application of the bank, savings bank or savings and loan  
39 association depositing the securities, if such application is approved  
40 by the treasurer or the treasurer's duly authorized deputy and ~~the~~  
41 ~~director of accounts and reports or the director's duly author-~~  
42 ~~ized assistant~~ for the reason that such deposit of securities is no  
longer needed to comply with this section or are required for col-



lection by virtue of their maturity or for exchange. Securities with-  
drawn for collection by virtue of their maturity or for exchange shall  
be replaced within 15 calendar days, but until replaced the state  
shall retain a first lien on the withdrawn security or the proceeds  
therefrom.

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

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

Sec. ~~20~~. K.S.A. 75-52,120 is hereby amended to read as follows: 21  
75-52,120. (a) To provide for the costs of the acquisition of real estate  
authorized by K.S.A. 1986 Supp. 75-52,119, and amendments  
thereto, and expenses related thereto, the pooled money investment  
board is authorized and directed to loan to the secretary of correc-  
tions sufficient funds therefor in amounts which in the aggregate do  
not exceed \$175,000. The pooled money investment board is au-  
thorized and directed to use any moneys in the ~~active accounts~~,  
~~inactive accounts~~ or ~~time deposits~~, ~~open accounts operating ac-~~  
~~counts~~, ~~investment accounts or other investments~~, of the state of  
Kansas to provide the funds for such loan. The loan shall bear interest  
at an initial rate equal to the rate prescribed in K.S.A. 75-4210  
and amendments thereto for ~~inactive accounts~~ of the state and  
average yield before taxes received on 91-day United States treasury  
bills as determined by the federal reserve banks as fiscal agents of  
the United States at its most recent public offering of such bills in  
effect on the date the pooled money investment board provides the

1 loan amount. The rate of such interest shall be adjusted annually  
 2 on the anniversary of the date the loan was made at a rate equal  
 3 to the rate prescribed in K.S.A. 75-4210 and amendments  
 4 thereto for inactive of the state average yield before taxes received  
 5 on 91-day United States treasury bills as determined by the federal  
 6 reserve banks as fiscal agents of the United States at its most recent  
 7 public offering of such bills in effect on such date. The loan principal  
 8 and interest thereon shall be payable solely from revenues credited  
 9 to the correctional industries fund or as otherwise provided by law.  
 10 The loan shall not be deemed to be an indebtedness or debt of the  
 11 state of Kansas within the meaning of section 6 of article 11 of the  
 12 constitution of the state of Kansas.

13 (b) Upon certification to the pooled money investment board by  
 14 the secretary of corrections of the amount of the loan authorized by  
 15 this section that is required, the pooled money investment board  
 16 shall transfer the amount certified by the secretary of corrections  
 17 from the state bank accounts described in this section to the cor-  
 18 rectional industries fund. The amount so transferred shall not exceed  
 19 \$175,000.

20 Sec. ~~21~~. K.S.A. 1991 Supp. 75-52,130 is hereby amended to read 22  
 21 as follows: 75-52,130. (a) To provide for any amounts required to be  
 22 paid for all or part of the cost of the capital improvement projects  
 23 for a new correctional facility and a mental health facility or facilities  
 24 authorized by this act and expenses related thereto, the pooled  
 25 money investment board is authorized and directed to loan to the  
 26 secretary of corrections sufficient funds therefor in amounts which  
 27 in the aggregate do not exceed \$26,850,000. All such amounts of  
 28 such loan shall be credited to the new correctional facility and mental  
 29 health facility or facilities — construction fund which is hereby cre-  
 30 ated in the state treasury. The pooled money investment board is  
 31 authorized and directed to use any moneys in the active accounts,  
 32 inactive accounts or time deposits, open accounts operating ac-  
 33 counts, investment accounts and other investments, of the state of  
 34 Kansas to provide the funds for such loan.

35 (b) Such loan shall bear interest from the date of the loan transfer  
 36 or transfers under this section at an annual rate of interest which  
 37 shall be at a rate equal to the rate prescribed by K.S.A. 75-4210,  
 38 and amendments thereto, for inactive accounts of the state ef-  
 39 fective average yield before taxes received on 91-day United States  
 40 treasury bills as determined by the federal reserve banks as fiscal  
 41 agents of the United States at its most recent public offering of such  
 42 bills in effect on January 1 of such year. Such loan shall not be  
 43 deemed to be an indebtedness or debt of the state of Kansas within

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the meaning of section 6 of article 11 of the constitution of the state of Kansas.

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

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

Sec. 22. K.S.A. 76-829 is hereby amended to read as follows: 23  
 76-829. (a) To provide for the payment of the costs of the capital improvement project to construct and equip a facility for the care of and clinical research on animals at the university of Kansas medical center, and expenses related thereto, the pooled money investment board is authorized and directed to loan to the state board of regents sufficient funds therefor in an amount which shall not exceed \$4,300,000. The pooled money investment board is authorized and directed to use any moneys in the active accounts, inactive accounts or time deposits, open accounts operating accounts, investment accounts or other investments, of the state of Kansas to provide funds for such loan. Commencing on the loan date, such loan shall bear interest at the rate equal to the rate prescribed by K.S.A. 75-4210 and amendments thereto for inactive accounts of the state as of January 1, 1986. Each year thereafter, The rate of interest shall be fixed on January 1 of such each year at a rate equal to the rate prescribed by K.S.A. 75-4210 and amendments thereto for inactive accounts of the state effective average yield before taxes received on 91-day United States treasury bills as determined by the federal reserve banks as fiscal agents of

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1 *the United States at its most recent public offering of such bills in*  
 2 *effect on such date. The loan principal and interest thereon shall be*  
 3 *payable solely from moneys credited to and available in the animal*  
 4 *research facility debt service fund or as otherwise provided by law.*  
 5 *Such loan shall not be deemed to be an indebtedness or debt of*  
 6 *the state of Kansas within the meaning of section 6 of article 11 of*  
 7 *the constitution of the state of Kansas.*

8 (b) There is hereby created in the state treasury the animal re-  
 9 search facility project fund. On the loan date, the pooled money  
 10 investment board shall transfer the loan amount from the state bank  
 11 accounts described in subsection (a) to the animal research facility  
 12 project fund. All expenditures from the animal research facility pro-  
 13 ject fund shall be for payment of the costs of the capital improvement  
 14 project to construct and equip a facility for the care of and clinical  
 15 research on animals at the university of Kansas medical center and  
 16 expenses related thereto, in accordance with the provisions of ap-  
 17 propriations acts.

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

22 (d) After completion of the capital improvement project to con-  
 23 struct and equip a facility for the care of and clinical research on  
 24 animals at the university of Kansas medical center and the payment  
 25 of the costs thereof and expenses related thereto, the chancellor of  
 26 the university of Kansas shall certify the same to the director of  
 27 accounts and reports. Upon receipt of such certification, the director  
 28 of accounts and reports shall transfer any remaining moneys in the  
 29 animal research facility project fund to the animal research facility  
 30 debt service fund.

31 Sec. ~~28~~ K.S.A. 82a-1369 is hereby amended to read as follows:  
 32 82a-1369. (a) To provide earnest money required as part of a mem-  
 33 orandum of understanding between the state of Kansas and the  
 34 United States department of the army concerning the purchase of  
 35 municipal and industrial water supply storage, the pooled money  
 36 investment board is authorized and directed to loan to the director  
 37 of the Kansas water office sufficient funds therefor in the amount of  
 38 \$4,000,000. The pooled money investment board is authorized and  
 39 directed to use any moneys in the active accounts, ~~inactive ac-~~  
 40 ~~counts or time deposits, open accounts operating accounts, in-~~  
 41 ~~vestment accounts or other investments~~, of the state of Kansas to  
 42 provide funds for such loan. On the loan date of such loan, the  
 43 pooled money investment board shall transfer the loan amount from

1 the state bank accounts described in this subsection to the director  
2 of the Kansas water office by depositing the same in the state treasury  
3 to the credit of the water supply storage assurance fund.

4 (b) Commencing on the loan date, such loan shall bear interest  
5 equal to the amount of interest earned on moneys in the water  
6 supply storage assurance fund. The loan principal and interest  
7 thereon shall be payable solely from moneys credited to and available  
8 in the water supply storage assurance fund or as otherwise provided  
9 by law. Commencing on the first day of the 12th month commencing  
10 after the loan date, and annually thereafter until the repayment date  
11 of such loan, interest on such loan, as specified under this section,  
12 shall be paid to the pooled money investment board. The loan prin-  
13 cipal and any interest remaining on such loan shall be paid in full  
14 on July 1, 1996. Such loan shall not be deemed to be an indebtedness  
15 or debt of the state of Kansas within the meaning of section 6 of  
16 article 11 of the constitution of the state of Kansas.

17 (c) There is hereby created in the state treasury the water supply  
18 storage assurance fund. The pooled money investment board may  
19 invest and reinvest moneys credited to the water supply storage  
20 assurance fund in obligations of the United States of America or  
21 obligations the principal and interest of which are guaranteed by the  
22 United States of America, in interest-bearing time deposits in any  
23 commercial bank located in Kansas or in repurchase agreements of  
24 less than 30 days' duration with a Kansas bank or with a primary  
25 government securities dealer which reports to the market reports  
26 division of the federal reserve bank of New York for direct obligations  
27 of, or obligations that are insured as to principal and interest by,  
28 the United States government or any agency thereof. Any moneys  
29 not so invested shall earn interest monthly based upon the average  
30 interest rate each month on repurchase agreements entered into  
31 pursuant to K.S.A. 75-4205 75-4209, and amendments thereto, and  
32 the average daily balance in the water supply storage assurance fund.  
33 Any income or interest earned by the investments shall be credited  
34 monthly to the water supply storage assurance fund.

35 (d) All expenditures from the water supply storage assurance fund  
36 shall be made for the purpose of complying with the memorandum  
37 of understanding between the state of Kansas and the United States  
38 department of the army concerning the purchase of municipal and  
39 industrial water supply storage and for the purpose of paying the  
40 principal and interest on the loan received under this section in  
41 accordance with appropriation acts upon warrants of the director of  
42 accounts and reports issued pursuant to vouchers approved by the  
43 director of the Kansas water office or by a person designated by the

2-29

See attached - Secs. 25, 26, 27 and 28

29

9-1402,

, 75-4221a

30

1 director.

2 Sec. ~~24~~ K.S.A. ~~12-1675, 68-2060, 75-3676, 75-3679, 75-4202, 75-~~

3 ~~4205, 75-4206, 75-4207, 75-4208, 75-4209, 75-4210, 75-4211, 75-4212,~~

4 ~~75-4212a, 75-4213, 75-4226, 75-52,120, 75-5341, 75-5342, 76-829 and~~

5 ~~82a-1369 and K.S.A. 1991 Supp. 68-415, 75-4201, 75-4218 and 75-~~

6 ~~52,130 are hereby repealed.~~

7 Sec. ~~25~~ This act shall take effect and be in force from and after

8 its publication in the statute book.

2-30

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

(b) On July 1, 1992, the two appointive board members serving on the board immediately prior to such date shall cease to be members of the board and on such date, or as soon thereafter as possible, the governor shall appoint four members to the board to serve for terms as specified by this subsection. The two appointive members serving on the board immediately prior to July 1, 1992, may be reappointed to the board on or after such date under this subsection. Of the members first appointed on or after July 1, 1992, two members shall be appointed for a term commencing on July 1, 1992, and ending on June 30, 1994, and two members shall be appointed for 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 agent or trustee holding securities on its behalf, or owned by such affiliate bank, the market value of which is equal to 100% of the total deposits at



any given time, and such securities shall consist of:

(1) 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 United States sponsored corporations which under federal law may be accepted as security for public funds;

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

(3) bonds of the state of Kansas;

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

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

(6) temporary notes of any municipal corporation or quasi-municipal corporation of the state of Kansas which are general obligations of the municipal or quasi-municipal corporation issuing the same;

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

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

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

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

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

(12) bonds issued pursuant to K.S.A. ~~1989~~ 1991 Supp. 68-2319 through 68-2330~~7~~, and amendments thereto; or

(13) (A) Negotiable promissory notes secured by first lien mortgages on one to four family residential real estate when such liens:

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

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

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

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

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

(C) A status report on all such loans shall be provided to the investing governmental entity by the financial institution on a quarterly basis.

(e) No state or national bank, state or federally chartered savings and loan association or federally chartered savings bank may deposit and maintain for the benefit of the governing body of

a municipal or quasi-municipal corporation of the state of Kansas, any securities which consist of:

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

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

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

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

New Sec. 27. (a) The state treasurer is designated the cash management officer for the state and charged with the coordination and supervision of procedures providing for the efficient handling of financial assets under the control of the state treasury and each of the various state agencies.

(b) The state treasurer shall designate a cash manager to perform cash management consultations with state agencies. The cash manager shall schedule a cash management consultation by directing a request for a cash management consultation to the appropriate state agency head. The request shall include, but is not limited to, the following: Permission to initiate the review; the purpose of the consultation; a commencement date; the documents and information necessary to perform the review; request for staff assistance for the review; and the expected

estimated time required to complete the review.

(c) The cash manager shall provide consultation to all state agencies with regard to cash management operations. The cash manager will develop a review program which will be an ongoing effort to ensure that optimum cash management practices are being employed by state agencies and that the cash management informational need of state agencies are being met. In performing cash management consultation services the following principles shall be followed: Education and assistance in cash management practices; full consideration of the operating needs of state agencies in evaluating and recommending procedure changes; and government-wide efficiency considerations relating to cash concentration.

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

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

# 1992 SB 480

## Public Funds

*Kansas banks and financial institutions have first right of refusal*

### State Funds

*(Idle Funds)*

- Lengthened maturities up to 4 years

Distribution:

- Capital formula (banks)  
50% or \$350.0 million  
Investment rate
- Competitive bids (banks)  
Market rate
- Repo's (banks, primary dealers)
- U.S. Treasuries
- U.S. Agencies
- 10% MBS limit
- Mtg collateral option
- Operating Account
- Cash Management Function
- PMIB expansion
- Repo custodian power for Treasurer

### Local Funds

*(Idle Funds)*

#### All municipalities (Sec. 3 of SB 480)

- up to 2 year CD  
Investment rate
- up to 2 year maturities on Govt Treasuries
- Repo's  
KS financial institutions
- Municipal Pool
- Trust depts or companies
- Mtg collateral option

#### Municipal Pool (Sec. 1 of SB 480)

- Maturities up to 4 years
- CD's  
financial institutions
- U.S. Treasuries
- U.S. Agencies
- 10% MBS limit
- Repo's  
financial institutions  
primary dealers

#### Cities/Counties only (Sec. 2 of SB 480)

- With approved investment policies:
- Maturities up to 4 years
  - CD's  
financial institutions
  - U.S. Treasuries and Agencies
  - 10% MBS limit
  - Repo's  
financial institutions  
primary dealers
  - Penalty for violation of Sec. 3

FI&I 2/27/92  
Attachment #3