

Approved: March 7, 1997
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Les Donovan at 3:30 p.m. on February 6, 1997 in Room 527-S of the Capitol.

All members were present except: Representative Tom Bradley
Representative Larry Campbell
Representative Gwen Welshimer

Committee staff present: Bill Wolff, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Maggie Breen, Committee Secretary

Conferees appearing before the committee: Willie Martin, Director of Intergovernmental Relations, Sedgwick County
Dennis Howard, Chief Financial Officer, City of Lenexa
Bill Grant, General Council, State Banking Commission
Chris McKinzie, League of Kansas Municipalities
John Peterson, Kansas Association of Community Colleges
SueAnn Schultz, Bank IV
Jim Maag, Kansas Bankers Association
Whitney Damron, Kansas Bar Association

The chairman opened the hearing on:

HB 2131 - Relating to public moneys; concerning depositories

Proponents speaking in favor of **HB 2131**:

Willie Martin, Sedgwick County, spoke in favor of the **HB 2131** saying it would allow Sedgwick County to provide effective and efficient management of County moneys. (Attachment 1)

Dennis Howard, Chief Financial Officer, City of Lenexa, requested the committee pass **HB 2131** stating that a bank having a state charter is not their main concern. Of concern is the financial security of the bank, services provided, rate of return, and convenience of location. (Attachment 2)

(**Bill Grant**, General Council, State Banking Commission, was called upon to clarify what would change with the bill. He explained that public funds laws in Kansas require the public depositories to have a home office or a main office in Kansas. There are state banks chartered by their office which historically have been required to have a home office in Kansas. A national financial institution is chartered by the federal government, the Comptroller of the Currency, but they also have one office that's designated as the home office or main office. The current status of the public funds law is that the main office has to be in Kansas in order to be an acceptable public depository. A good example is Bank IV, their main office was in Wichita until recently. Through mergers and relocation, the main office is now in Missouri so they are no longer eligible under the current law to accept public funds for deposit. The bill would eliminate the requirement to have a home office in Kansas and allow public funds to be deposited in banks with only branch offices here. Currently there are only 3 Missouri Banks with branch offices in Kansas which have no home office here, Boatmens NationsBank, Bank Midwest and Pony Express Bank. There are also several saving associations which have home offices elsewhere.)

Chris McKinzie, League of Kansas Municipalities, appeared also on behalf of the Kansas Association of School Boards urging the committee's support of **HB 2131**. The basic policy question is whether there should be free competition. The organizations he represents believe there should be and that it ultimately

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS, Room 527-S
Statehouse, at 3:30 p.m. on February 6, 1997.

results in lower administrative costs, which translates into lower property taxes. (Attachment 3)

John Peterson, Kansas Association of Community Colleges, appeared in support of **HB 2131**. He gave an example of Garden City Community College who currently uses several of Bank IV's services which allows the college to take advantage of their computer system and software at the lowest cost. (Attachment 4)

SueAnn Schultz, Bank IV, stressed that Bank IV has a proven commitment to the State of Kansas and except for the location of the charter, they unquestionably meet the intent of existing public fund legislation. She assured the committee that NationsBank Corporation will continue Bank IV's past level of involvement in the state. She urged the committee to support **HB 2131**. (Attachment 5)

Proponents submitting written testimony in favor of **HB 2131**:

Representative Laura McClure, (Attachments 6 & 7)

Fred Kaufman, Hays, (Attachment 8)

Kristy Cannon, Financial Director, City of Overland Park, (Attachment 9)

Tom Bell, Kansas Hospital Association, (Attachment 10)

Opponents speaking in opposition to **HB 2131**:

Jim Maag, Kansas Bankers Association spoke in opposition to **HB 2131** because the KBA does not believe it is in the best economic interest of Kansas. It would also diminish the state's ability to control banking operations within the state. He pointed out that when Bank IV made the corporate decision to merge and move their charter to Missouri, they knew exactly what the law was and what effect it would have on Kansas communities. In the event the committee were to pass the bill, he urged them to make amendments to correct a deficiency in it. It doesn't speak to what requirements out-of-state banks and savings banks would have in regards to the percentage of deposits that need to be loaned within the community nor what loan-to-deposit ratio they would be required to meet. (Attachment 11)

The chairman closed the hearing on **HB 2131** and opened the hearing on:

HB 2057 - Release of mortgage or deed of trust

Proponents speaking in favor of **HB 2057**:

Whitney Damron, Kansas Bar Association, requested the committee pass the bill which calls for the release of mortgages which have been paid in full after 32 years. It follows legislation which has appeared from time to time in the past and extends the process on a go forward basis. (Attachments 12 & 13)

There were no opponents to **HB 2057**.

The chairman closed the hearing on **HB 2057**.

Meeting adjourned at 4:38 p.m.

The next meeting is scheduled for February 11, 1997.

The minutes for this meeting were distributed to the committee members for review on March 6, 1997, with the understanding that minutes would be considered approved if no additions, deletions, or corrections were received by 5:00 p.m. on March 7, 1997. None were received.

HOUSE FINANCIAL INSTITUTIONS COMMITTEE GUEST LIST

DATE: February 6, 1997

NAME	REPRESENTING
<i>Jim Miley</i>	<i>KBA</i>
<i>W. Newton Male</i>	<i>OFFICE OF STATE BANK COMM</i>
<i>Wm. Grant</i>	<i>"</i>
<i>Jim Shute</i>	<i>City of Lenexa</i>
<i>Dennis Howard</i>	<i>City of Lenexa</i>
<i>Deane Huff</i>	<i>State Dist #30</i>
<i>Roger Fralich</i>	<i>BK IV</i>
<i>Matt Goddard</i>	<i>ACBA</i>
<i>Johanna Orion</i>	<i>State Treasury</i>
<i>Kelly Kuntala</i>	<i>City of Overland Park</i>
<i>Chuck Kuepp</i>	<i>SOS</i>
<i>M. Martin</i>	<i>Judg. Cor.</i>
<i>Aue Schmefu</i>	<i>KCUA</i>
<i>Alan Steppat</i>	<i>Pete McCoill & Associates</i>
<i>Whitney Damron</i>	<i>Kansas Bar Assn.</i>
<i>Sue Ann Schultz</i>	<i>BANK IV</i>
<i>John Peterson</i>	<i>Ks Assn of Community Colleges</i>
<i>Kathy Taylor</i>	<i>KBA</i>
<i>Chin McKee</i>	<i>League of Ks. Municipalities</i>



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL RELATIONS

WILLIE MARTIN

COUNTY COURTHOUSE • 525 N. MAIN • SUITE 315 • WICHITA, KANSAS 67203 • TELEPHONE (316)383-7552

TO: House Committee on Financial Institutions
and Insurance

FROM: Willie Martin, Intergovernmental Relations

DATE: February 6, 1997

SUBJ: House Bill 2131 - Deposit of Public Moneys

House Bill 2131 will allow Sedgwick County to provide effective and efficient management of County moneys.

In August 1996 Sedgwick County solicited proposals from area financial institutions to provide banking services. We received only one response to our Request for Proposal document. Other banks indicated they could not fulfil the statutory requirements for collateralizing deposits in our bank account at certain times of the year due to large tax distributions to the other taxing entities in Sedgwick County. With the ever changing banking industry, banks chartered in the State of Kansas large enough to meet our needs are dwindling.

Without the provisions of House Bill 2131 Sedgwick County would be required to split deposits to meet collateralizing requirements, thus compelling us to contract with multiple banks. This, in turn, would make tax distributions and the investment of idle funds time consuming and complicated, increasing cost and restricting our ability to provide effective and efficient service to the citizens of Sedgwick County.

House Financial Institutions

2-6-97

Attachment 1

We currently require and utilize the following services:


1. Receipt and transfer of securities held as collateral. (volume and size significant)
2. On-line balance reporting of various accounts.
3. Next day electronic transmission listing checks cleared for automatic reconciliation.
4. Lock-box Processing
5. Automated bank wiring capabilities.

Our capability to provide service is dependent upon our ability to require and receive specific services for money management.

We respectfully request your support of House Bill 2131.



To: House Financial Institutions Committee

From: Dennis Howard 
Chief Financial Officer

Date: February 6, 1997

Subject: House Bill 2131

Thank you Mr. Chairman for the opportunity to speak today in support of House Bill 2131. My name is Dennis Howard, Chief Financial Officer for the City of Lenexa.

Last year, the City of Lenexa, bid out our official depository services. We do this every four years, in order to establish a long-term financial relationship with one financial institution. Bank IV was selected as our depository. Without House Bill 2131, the City would be required to bid out these services again. Bank IV was recently purchased by Nations Bank and will no longer have an official charter in the State of Kansas. This would require considerable additional expense for the City, along with valuable time and energy already spent to build a strong and mutually beneficial banking relationship.

When selecting an official depository having a charter in the State of Kansas is not our main concern. Key issues include the financial security of the bank, the banking services provided, and the rate of return on the City's funds. The presence of numerous branch offices in the City of Lenexa can be just as valuable to the City as a home office in the State of Kansas. All of these attributes are taken into consideration when deciding on an official depository.

In addition, by expanding the available financial institutions to those banks and savings and loans whose home office are not necessarily in the County would increase the competition on the City's available idle funds. The field of qualified and interested bidders would grow thereby increasing our rate of return on these idle funds. This in return would save the taxpayers money.

The City of Lenexa is in support of House Bill 2131. I would like to thank you for your time and consideration to this matter. I'll stand for any questions you may have.

housebill

House Financial Institutions
2-6-97
Attachment 2



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO: House Financial Institutions Committee
FROM: Chris McKenzie, Executive Director
DATE: February 6, 1996
SUBJECT: Support for HB 2131

Thank you for the opportunity to appear today on behalf of the 529 member cities of the League of Kansas Municipalities as well on behalf of the Kansas Association of School Boards (KASB) in support of HB 2131. The substance of HB 2131 was discussed recently by the League's Finance and Taxation Policy Committee, and the views I am expressing today have been endorsed by that committee as well as by the League's 15-member governing body.

The Policy Question. The basic policy question underlying HB 2131 is whether there will be open and free competition for the deposit and investment of the active and idle funds of the taxpayers of Kansas which are held in trust by the political subdivisions of the state of Kansas. The member cities of the League and member schools of the KASB, which collectively deposit and invest hundreds of millions of public funds each year, respectfully urge you to clearly open the door to allow branches of banks, savings and loans, and savings banks which do not have home offices in Kansas to act as depositories and third party custodians of securities pledged to secure the deposit of public funds.

Background. A few months ago, after the acquisition of BANK IV by an out-of-state banking institution, the League began to be asked by city officials about the apparent restrictions in state law against the deposit and investment of public funds in banks which do not have a home office in Kansas. We reviewed the applicable statutes, as well as the two excellent Attorney General Opinions on this subject (NOS. 95-39 and 95-95), and we concluded that such a restriction did exist, although some arguments to the contrary may be made. In the process we also rediscovered that the only statutory penalty for ignoring this prohibition was personal liability for the public officials responsible for such funds in the event of a failure or default of any designated depository financial institution. This penalty is in K.S.A. 9-1406, which is amended in Section 6 of HB 2131 (page 7). Given the prospect (however remote) of such liability, we sent out a broadcast FAX, reminding our members of the requirements of state law and the potential personal liability they faced for depositing public funds in institutions which did not meet the requirements of state law.

Competition for Public Funds. The main purpose of HB 2131 is to eliminate the home office restrictions contained in current state law and increase competition for the deposit of public funds. You will hear testimony from individual local officials today about the necessity of such competition in order to ensure a reasonable rate of return on public fund deposits and investments. As you know, every dollar of interest returned or reduced administrative cost for handling an account translates into lower property taxes in the long run. While interest return should never be the primary objective of the investment of public funds, it should not be ignored.

RECOMMENDATION: We urge favorable action on HB 2131. Finally, some technical amendments limiting deposits to actual main or branch offices may be desirable as is currently being discussed in the Senate committee.

House Financial Institutions
2-6-97
Attachment 3

KANSAS ASSOCIATION OF COMMUNITY COLLEGES
BEFORE THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS
February 6, 1997

HB 2131

Mr. Chairman, members of the Committee, I am pleased to appear today in support of HB 2131.

Community colleges have an obligation to run their businesses in a responsible and fiscally prudent manner. When idle funds are available or when determining where an institution will handle their active accounts, they need to have as many options as possible to consider. Eliminating the largest banking organization in Kansas as potential bidders when they operate over 80 facilities and employ several thousand Kansas citizens does damage to all local governmental entities including the community colleges of Kansas.

The Dean of Administrative Services at the Garden City Community College, Lawrence Mahoney, advised us that they currently utilize Bank IV and several of its services. They selected those services through a bid process in which the college was interested in receiving the best service at the lowest cost. As an example they are able to direct deposit the college payroll with the bank by modem. That bank has technology allowing the community college to take advantage of their computer system and software at the lowest cost. It is important to Kansas and Kansas taxpayers to allow its public entities to take advantage of any business that offers services that they need and at the lowest possible cost. We thank you for your consideration and would be pleased to respond to any questions.

House Financial Institutions
2-6-97
Attachment 4

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS

Testimony of SueAnn V. Schultz,
Senior Vice President, General Counsel, BANK IV

House Bill 2131

2-6-97

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to address you today. I am SueAnn Schultz, Senior Vice President and General Counsel for BANK IV. I appear before you as a proponent of House Bill 2131.

Existing public funds legislation was, and is, intended to insure that taxpayer money be held by financial institutions that are safe, sound and known to Kansans. Beyond these core values, the intention of the law is to assure that the institutions acting as depositories and service providers are responsible and responsive to serving the needs of the Kansas taxpayers whose money those funds represent. By design, it is intended that those eligible financial institutions have a vested interest in Kansas by virtue of their investment in facilities, human resources and capital. All of these investments guarantee that these depositories be fully participatory in the Kansas economy, both in support of commerce and as Kansas taxpayers.

The placement of public funds is essentially a competitive bid process. This process has worked effectively to insure that the public funds received the highest competitive interest rates and that the fees for services were at their competitive lowest. This system has been the most effective when there are more *qualified and interested* bidders. This bill allows all financial institutions with offices where public entities are located, to competitively bid on public deposits, thereby saving taxpayers' money.

Since 1887 BANK IV has been providing service to the taxpayers of Kansas by being a *qualified and interested* bidder on public funds. In 1996, we maintained in excess of 400 public accounts containing more than \$200 Million. Notwithstanding the competitive bid process, BANK IV has been in bid situations where we were the only *qualified and interested bidder*, and our preclusion from participation in the bid process would result in public funds customers having fewer *qualified and interested* financial institutions bidding for their funds. Further, BANK IV currently provides custodial safekeeping services to 96 Kansas banks, because existing law requires that securities pledged for public funds be held by a financial institution that has adequate modern facilities for the safekeeping of securities and that is not affiliated in any way with the depository institution holding the public funds.

House Financial Institutions
2-6-97
Attachment 5

On October 18, 1996, we made a corporate decision to merge our Kansas chartered bank with our affiliate bank in Kansas City, Missouri. Charter consolidation allows seamless banking service across all geographic areas and enables BANK IV to better serve our customers who live and work across state lines. None of the public funds deposits left the state, no banking locations were closed and there were no changes to services or fees.

But for the location of the charter, BANK IV unquestionably meets the intent of existing public funds legislation. We still have an executive management office in Wichita. As the largest bank in Kansas, we pay more privilege, real estate and personal property taxes than any other bank in this state (in excess of \$10,600,000 in 1996). We employ more than 2,090 people in Kansas who also pay property and personal income taxes, and the 1996 payroll of BANK IV exceeded \$52,000,000. In 1996, BANK IV provided financing in excess of \$492,000,000 to small businesses and farms, mortgage loans exceeded \$82,000,000, our Loan to Deposit ratio was 70.4% and our total Loan to Asset ratio was 56.8%. With 87 branches in 36 communities in Kansas, we have invested in excess of \$130,000,000 in banking facilities throughout the state.

BANK IV's financial reinvestment in the state of Kansas is further demonstrated by its \$1,412,308 capital investment in Kansas Venture Capital, Inc. (the Kansas statewide risk capital organization created to provide capital for investment in smaller Kansas businesses), making BANK IV the largest shareholder in KVCI.

Each bank operating in Kansas, no matter where the charter is located, must meet the requirements of the Community Reinvestment Act for serving its community's credit needs. BANK IV's most recent CRA rating was the highest given by the Office of the Comptroller of the Currency: **Outstanding**. This rating is based on the OCC's objective review of BANK IV's performance in reinvesting dollars, time and talent back into the local markets served by BANK IV. In 1996, BANK IV contributed \$1,448,000 to various Kansas charitable organizations and provided \$5,836,000 for community events throughout the state, such as Dodge City Days and the Kansas State Fair.

The recent acquisition of BANK IV's holding company by NationsBank Corporation will not change the level of BANK IV's involvement in the state. The recently announced NationsBank National Call Center, a \$10,000,000 project that will create in excess of 400 new jobs in Wichita, is an example of the focus by NationsBank on investment in and return to the communities it serve.

BANK IV's proven track record is one that I am proud to present and demonstrates that the location of a charter does not define what an organization does or its level of commitment to a community or state. Each financial institution with an office in this state has made a commitment to invest time, energy and capital resources to improve its community and should be entrusted with the privilege of competing for the right to serve as a depository for public funds. We ask that you adopt House Bill 2131, and that state public funds be governed by this legislation as well.

Thank you for your attention. I would be happy to address any questions you may have.



PONY EXPRESS COMMUNITY BANK

MEMBER FDIC

January 31, 1997

To:
Kansas House of Representatives
Financial Institutions Committee
Capitol Building
Topeka, KS

Re: House Bill 2131 as Amended--Public Funds to be held by
Kansas institutions

Chairman Donovan and Committee Members:

Background: Our financial institution is a small community bank with approximately \$20 million in deposits. The home office is located in St. Joseph, MO with two branches located in Elwood, Ks. in Doniphan County and Lucas, Ks. in Russell County.

In August, 1995, the holding company for First State Bank, Elwood, Ks. acquired ownership of The Farmers State Bank, Lucas, Ks. In January 1996, the two banks were merged and the home office moved from Elwood, Ks. to St. Joseph, Mo. Branches were simultaneously located in Elwood and Lucas.

In Lucas and Elwood, each of our branches is the only financial institution located in their respective City.

Issue: An inadvertent result of the above action was that the Kansas branches could no longer legally hold public funds as bank deposits. In early 1996, this Bank voluntarily informed the respective governing bodies of the local municipalities of the change in order to permit them to conform with Kansas law.

The impact of the law affected tax-supported funds of the city, county, library, cemetery, townships, and school district. Some of these entities had several accounts with our Bank. After consultation with their legal counsel and auditing firms, action was taken by the governing bodies to move their public funds out of town to a bank with a home office located in Kansas.

In the case of the City of Lucas, the bank was located 10 miles away to a branch of United Missouri Bank which does have a home office chartered in Kansas.

House Financial Institutions
2-6-97
Attachment 6

HIGHWAY 238 • ELWOOD, KS 66024
(913) 365-5158

132 S. MAIN • LUCAS, KS 67648
(913) 525-6445

624 FELIX • ST. JOSEPH, MO 64501
(816) 871-BANK

The City Clerk and City Treasurer of Lucas (pop. 500) are parttime positions held to administer the daily business of the City. This change has unfortunately created significant additional time-consuming burdens on these City officials.

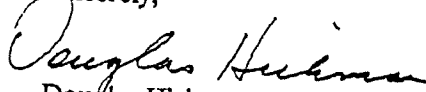
With the changes in banking described above, the City in particular has been negatively affected in the following specific ways:

- 1) Additional personnel time to mail deposits and conduct banking business out of town;
- 2) Additional postage cost and telephone expense to conduct banking business;
- 3) Substantial modifications required in City recordkeeping and computer operations to account for the transactions of two bank locations;
- 4) Additional personnel time to monitor and reconcile two bank statements instead of just one;
- 5) Additional personnel time to prepare monthly reports for City records including budget analysis and City Council management reports to include the new out of town accounts;
- 6) Additional annual auditing expense and procedures to include verification and transactions of the out of town account;
- 7) And finally, the funds generated by local citizens and local taxpayers are deposited in a neighboring community instead of supporting loan activity in the location in which the funds are derived.

Recommendation: That the Kansas legislature support and pass House Bill 2131 as amended to permit financial institutions with home or branch offices located in the State of Kansas to hold public funds deposits.

Your consideration of this matter is appreciated.

Sincerely,



Douglas Hickman
Executive Vice President
Lucas, Ks. Branch

The City Of Lucas
OFFICE OF CITY CLERK
Lucas, Kansas 67648

CITY OFFICE
(913)-525-6425

OFFICE HOURS
8:00 a.m. to 12:00 noon

POWER HOUSE
(913)-525-6353

February 4, 1997
By FAX transmission

Repr. Laura McClure
Rm. 278 W
Capitol Building
Topeka, Ks. 66612

Re: House bill No. 2131--Requirement by Municipalities to hold deposits with Kansas chartered banks

Dear Repr. McClure:

During 1996, you were informed of the re-location of the charter for the former Farmers State Bank of Lucas, Ks. to what is now Pony Express Community Bank, St. Joseph, MO under the 30 mile rule for establishing branches across state lines.

An inadvertent result of that change in the home charter caused much difficulty for the City of Lucas, (population 500) regarding its banking business.

Based on recommendations of our City Attorney and in an effort to comply with Kansas law, we moved some City accounts to United Missouri Bank which has a branch in Luray. Isn't that ironic that this is permissible since UMB has a bank charter in Kansas? The Luray bank branch is 10 miles west of the City of Lucas.

This change in banking relationships has caused the City Clerk to devote extra time to the business of conducting City banking that is really not very efficient nor practical.

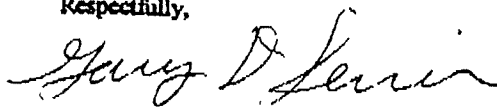
Negative results are partially listed as follows:

- a) Additional personnel time to mail deposits or deliver bank records to Luray;
- b) Additional postage cost to mail documents rather than walking across the street;
- c) Additional recordkeeping and computer time to account for the transactions of two banks;
- d) Additional personnel time to reconcile two bank statements instead of just one;
- e) Additional personnel time to prepare monthly reports for City records and budget records to accommodate the extra bank account;
- f) Additional auditing expense and procedures to include the transactions in UMB accounts;
- g) and finally, the tax dollars generated by levy on Lucas citizens is deposited in a neighboring community instead of in the local bank for lending purposes.

Since the Pony Express Community Bank is the only bank in Lucas, it seems easy for the Legislature, the Governor and the Kansas Bank Commissioner to see that simple changes in the banking law can correct this outdated provision.

Your assistance in considering the Lucas scenario and bringing it to the attention of the legislature would be appreciated. There could possibly be other small banks in the State of Kansas in a similar situation now.

Respectfully,



Gary D. Scierz, Mayor

"Equal Housing Opportunity City"

House Financial Institutions

2-6-97

Attachment 7

P. 2

**Testimony for the House Finance and Institutions Committee
Fred Kaufman
February 5, 1997**

Chairperson and Members of the Committee.

I would like to thank you for allowing me to express my opinion in the matter of H.B. 2131 on allowing the deposit of public funds in banks that do not have home offices located in Kansas.

I am sure I do not understand all of the technical aspects of this issue. However, I would like to familiarize you with some of the practical considerations as they relate to a more or less typical Kansas school district.

Bank IV is an important part of the Hays community. They have long been an asset to the community in a number of ways. The officials of the bank are understanding of the school district and of its financial needs. They have been supportive both on an official and unofficial basis.

Bank IV was the fiscal agent for a recent bond issue and we enjoyed an excellent working relationship. In addition they have served as a depository for school district funds on numerous occasions.

If we are not going to be able to deposit funds in Bank IV it will limit the school district's options. I would like to share with you an example from two weeks ago. We drew \$3 million that the county had collected as taxes. We asked for bids from local banking institutions and received only three bids. The interest rates ranged from 5.29% to 4.95%. The deposits were split between two of the institutions. I can't help but wonder if the school district wouldn't have benefited from having another financial institution that would have been an active participant.

If the issue is one of protecting local banks, I would suggest to you that it is probably too late for that. In most cases local banks are gone and they are owned by someone from out of town.

Thank you for reading my testimony. We are very interested in developing some form of legislation that will allow a major financial institution to be able to continue to participate in school district business.

The names of banks seem to change rapidly. The people don't. Bank IV has the same personnel that we have had a long, beneficial relationship with. We would like to be able to continue that relationship.

House Financial Institutions
2-6-97
Attachment 8



City Hall • 8500 Santa Fe Drive
Overland Park, Kansas 66212

February 6, 1997

TO: House Financial Institutions Committee

FROM: Kristy Cannon, Director - Finance, Budget & Administration Department
City of Overland Park

SUBJECT: HB 2131

Chairman Donovan and Members of the Committee:

The City of Overland Park would like to express our support of HB 2131.

The city would like to maintain its' flexibility in managing its' affairs and finances. As the number of financial institutions eligible to serve as the city's depository become fewer in number it will be more difficult for the city to obtain comprehensive and competitive banking service.

Currently, Overland Park contracts for banking services on a four-year cycle. We select a financial institution to act as our depository based on a competitive proposal process. In October of 1994, the last time we sought proposals, five were received. We are concerned that limiting the pool of potential bidders will result in less competition for our business, increase our costs, and reduce the number and type of service options available to assist us in making our financial operations as efficient as possible.

During the past several years we have seen many changes in the banking community. We have no reason to believe that changes prompted by business decisions on the part of financial institutions will not continue. We ask that you support legislative actions that will enhance our ability to respond to these market changes, and that you support HB 2131.

House Financial Institutions
2-6-97
Attachment 9



Memorandum

Donald A. Wilson
President

TO: House Committee on Financial Institutions

FROM: Kansas Hospital Association

RE: H.B. 2131 *Tam Bell*

DATE: February 6, 1997

The Kansas Hospital Association appreciates the opportunity to comment in support of House Bill 2131. Numerous other individuals and groups have testified about the details of this legislation, so our comments will be brief. We support language that would allow the deposit of public funds in banks not having their main offices in Kansas.

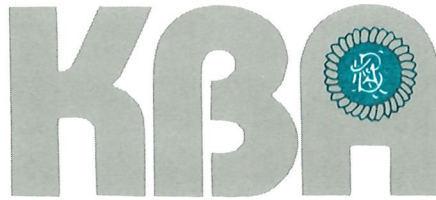
Our interest in this bill stems from the fact that one-half of the state's 128 community hospitals are owned by a governmental unit. In the vast majority of cases, that entity is a county, a city or a special hospital district. As such, those governmentally owned hospitals know the importance of the legal requirements governing deposit of public funds.

The hospitals affected by these state laws are by and large the small and rural facilities in Kansas. As the committee knows, these hospitals also face difficult financial challenges. Creating additional flexibility regarding the deposit of public funds not only helps these hospitals, but also the taxpayers supporting them.

Thank you for your consideration of our comments.

TLB:mkc

House Financial Institutions
2-6-97
Attachment 10



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 6, 1997

TO: House Committee on Financial Institutions
RE: **HB 2131** - Amendments to the public funds laws

Mr. Chairman and Members of the Committee:

On behalf of the Kansas Bankers Association (KBA) and its 410 member banks I would like to thank you for the opportunity to appear before the committee in opposition to **HB 2131**.

For more than a half century the Kansas Legislature has maintained a philosophy about public funds which has served its citizen taxpayers very well. That philosophy has three basic tenants: (1) all deposits of public moneys must be safeguarded in the best possible manner; (2) all public funds should, if possible, be invested in the community or state where they originated in order to stimulate economic development; and (3) there should be a fair and reasonable rate paid on the invested funds.

There has been relatively little change in the public funds laws over the years. However, as the way in which financial institutions are owned and operated has changed some confusion has developed as to the exact meaning of certain terms used in the public funds statutes. The most recent question to arise concerns the eligibility of branches of out-of-state banks to take public funds and to serve as custodial banks for public funds pledging. **HB 2131** makes a significant change in the local public funds laws by removing the requirement that a bank or s&l or savings bank must have a charter in Kansas in order to be eligible for public funds deposits or to serve as a custodial bank.

We do not believe such a change is in the best economic interests of Kansas. This state has always struggled to generate sufficient capital with which to fund agricultural, commercial and small business lending. Deposit growth in Kansas banks has been relatively flat for several years as competition for deposits has intensified - particularly with the securities market. In addition, the deposit base for many rural banks throughout the state is becoming more difficult to sustain as deposits held by senior citizens in the community are dispersed to family members in other communities and states. This, in turn, creates a funding problem for the banks' agricultural and small business customers. Public funds deposits from governmental units in the area thus become increasingly important to the community banks. Assuring there will be adequate capital to sustain lending for agriculture and small business in the rural communities of Kansas is a serious long-range problem which the Legislature must begin to address now.

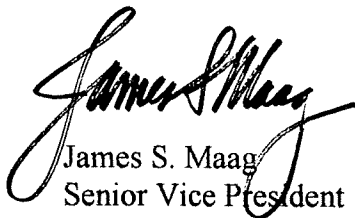
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Another impact on the state if **HB 2131** is passed in its present form is to diminish the state's ability to control banking operations within the state. By eliminating the charter requirement it removes a very significant reason for a bank to retain a charter in Kansas. It is already apparent that Kansas will be a "host" state rather than a "home" state in the interstate banking environment and the State Bank Commissioner and the Kansas Legislature will continue to see their authority to influence banking operations shrink if bills such as **HB 2131** are enacted.

Present public funds statutes give local units of government several options for placing deposits at fair and reasonable rates. If there are no bidders for the deposits among the banks and s&ls in the community the local units may purchase Treasury bills at market rates or invest in the state Municipal Investment Pool (MIP) at market rates.

We would also note that the bill does not contain any provision to assure that any out-of-state s&ls or savings banks which have only branching operations in Kansas must maintain a certain loan to deposit ratio as is required for branching operations of out-of-state banks under the provisions of the Riegle-Neal Interstate Banking Act. If it is the intent of this Legislature to sustain the philosophy of having tax dollars reinvested in the community where they are raised then such a requirement should be included in **HB 2131**.

Once again, we thank the committee for allowing us this opportunity to discuss our concerns about this legislation. We would again emphasize that we do not believe **HB 2131** is good legislation for the long-range economic development of Kansas. Mr. Chairman, we stand ready and willing to work with the committee in providing any additional information which might be necessary for the committee's deliberations.


James S. Maag
Senior Vice President

Legislative Testimony

TO: House Financial Institutions Committee

FROM: Ron Smith, KBA General Counsel

SUBJ: HB 2057, release of mortgages

DATE: February 6, 1997

WHITNEY B DAMRON, P.A.
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When a mortgage has been paid in full, or for some other reason the mortgage is no longer in effect (such as refinancing the mortgage with another mortgage company), the mortgage should be "released." This is done by the company or person holding the mortgage filing a mortgage release document with the Register of Deeds. When title examiners look at the county records, they see the release and they know that, for that mortgage, the title is clear. If they do not see the release, they note the fact that the title is still subject to a mortgage.

Most mortgages are 30 years or less. For a variety of reasons, sometimes mortgages whose period has expired have not been released. Most often, this may be oversight, or the mortgage institution has gone out of business. Or the mortgage filed was by an individual who has since died and he has no probate estate which can release the mortgage. It is important that these mortgages get released because if they are not, then the owner of the property, in order to sell property clouded by a mortgage on the title, must go to the expense of filing a quiet title action to vest title in the owner.

To avoid the quiet title action, the law provides currently a law very similar to HB 2057, KSA 58-2333h.

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Any mortgage or deed of trust against real property located in this state recorded on or after January 1, 1951, and before January 1, 1955, or referred to or described in any instrument of record within such period shall be void, unless, prior to July 1, 1988, the owner and holder thereof files, in the office of the register of deeds of the county in which the property is located, an affidavit stating: (a) The name and address of the owner and holder thereof; (b) the nature of the claim; (c) the amount due on the claim; (d) the date of the last payment on the claim; and (e) a description of the property. This section shall not apply to or affect mortgages, deeds of trust or liens against real property of railroad corporations recorded after January 1, 1890. Infancy, incompetency or nonresidency shall not affect the operation of this act. History: L. 1987, ch. 259, 1; July 1.

The 1987 legislature enacted this law. However, it only applies to mortgages recorded on or after January 1, 1951 through January 1, 1955. We need to bring this up to date.

There are two ways to bring this law up to date. One is simply change the January dates above and move forward a fixed time period. The second way, which we attempt in HB 2057, is to let the dates "float" automatically.

Subsection (a) is a section similar to the 1987 law. It brings forward all recordings between January 1, 1955 and January 1, 1965. Subsection (b) is the float. For all mortgage recordings after January 1, 1965, if 32 years have elapsed, and the owner of the mortgage has not filed an affidavit, then the mortgage is released by law.

Example: Mortgage bank "A" files a standard 30 year mortgage on a House on February 1, 1965. If 32 years pass without a mortgage release being filed of record, and "A" does not file a new affidavit by July 1, 1987 (1964+32 years + to the next July 1), then the statute releases the mortgage and on a title exam, the examiner would so indicate.

Thank you.

KANSAS STATUTES
CHAPTER 58. PERSONAL AND REAL PROPERTY
ARTICLE 23. MORTGAGES OF REAL PROPERTY

58-2332. Mortgages or deeds of trust recorded prior to 1914 or referred to or described declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record before January 1, 1914, or referred to or described in any instrument of record prior to said date, shall, from and after July 1, 1948, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act. [History: L. 1947, ch. 336, § 1; June 30.

58-2333. Mortgages or deeds of trust recorded or referred to or described of record prior to 1919 declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record before January 1, 1919, or referred to or described in any instrument of record prior to said date, shall, from and after July 1, 1952, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act. [History: L. 1951, ch. 373, § 1; June 30.

58-2333a. Mortgages or deeds of trust recorded or referred to or described of record between January 1, 1919,

and January 1, 1923, declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record on or after January 1, 1919, and before January 1, 1923, or referred to or described in any instrument of record within the prescribed period, shall, from and after July 1, 1956, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act.

[History: L. 1955, ch. 300, § 1; June 30.

58-2333b. Mortgages or deeds of trust recorded or referred to or described of record between January 1, 1919, and January 1, 1927, declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record on or after January 1, 1919, and before January 1, 1927, or referred to or described in any instrument of record within the prescribed period, shall, from and after July 1, 1962, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property or railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act.

[History: L. 1961, ch. 296, § 1; June 30.

58-2333c. Mortgages or deeds of trust recorded or referred to or described of record between January 1, 1927, and January 1, 1935, declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record on or after January 1, 1927,

and before January 1, 1935, or referred to or described in any instrument of record within the prescribed period, shall, from and after July 1, 1968, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act.

[History: L. 1967, ch. 304, § 1; July 1.

58-2333d. Mortgages or deeds of trust recorded or referred to or described of record between January 1, 1935, and January 1, 1939, declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record on or after January 1, 1935, and before January 1, 1939, or referred to or described in any instrument of record within the prescribed period, shall, from and after July 1, 1972, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act.

[History: L. 1971, ch. 191, § 1; July 1.

58-2333e. Mortgages or deeds of trust recorded or referred to or described of record between January 1, 1939, and January 1, 1943, declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record on or after January 1, 1939, and before January 1, 1943, or referred to or described in any instrument of record within the prescribed period shall, from and after July 1, 1976, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in

which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein: Provided, That this act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured: Provided further, That infancy, incompetency or nonresidence shall not affect the operation of this act.

[History: L. 1975, ch. 346, § 1; July 1.

58-2333f. Mortgages or deeds of trust recorded or referred to or described of record between January 1, 1943, and January 1, 1947, declared void; exceptions.

Every mortgage or deed of trust securing a debt on real property in this state which mortgage or deed of trust was placed of record on or after January 1, 1943, and before January 1, 1947, or referred to or described in any instrument of record within the prescribed period shall, from and after July 1, 1980, be void as against the creditors of the person making the same or against subsequent purchasers or mortgagees unless the owner and holder thereof shall, prior to such date, cause to be filed in the office of the register of deeds of the county in which the property is located, an affidavit setting forth the name and address of the owner and holder thereof, the nature of the claim, the amount due thereon, the date of the last payment thereon and a description of the property included therein. This act shall not apply to or affect (1) mortgages, deeds of trust, or liens upon property of railroad corporations recorded after January 1, 1890, or (2) the indebtedness thereby secured. Infancy, incompetency or nonresidency shall not affect the operation of this act.

[History: L. 1979, ch. 172, § 1; July 1.

58-2333g. Mortgages or deeds of trust recorded between January 1, 1947, and January 1, 1951, declared void; exceptions.

Any mortgage or deed of trust against real property located in this state recorded on or after January 1, 1947, and before January 1, 1951, or referred to or described in any instrument of record within such period shall be void, unless, prior to July 1, 1986, the owner and holder thereof files, in the office of the register of deeds of the county in which the property is located, an affidavit stating: (a) The name and address of the owner and holder thereof; (b) the nature of the claim; (c) the amount due on the claim; (d) the date of the last payment on the claim; and (e) a description of the property. This section shall not apply to or affect mortgages, deeds of trust or liens against real property of railroad corporations recorded after January 1, 1890. Infancy, incompetency or nonresidency shall not affect the operation of this act.

[History: L. 1984, ch. 249, § 1; L. 1985, ch. 185, § 1; July 1.

58-2333h. Mortgages or deeds of trust recorded between January 1, 1951, and January 1, 1955, declared void; exceptions.

Any mortgage or deed of trust against real property located in this state recorded on or after January 1, 1951, and before January 1, 1955, or referred to or described in any instrument of record within such period shall be void, unless, prior to July 1, 1988, the owner and holder thereof files, in the office of the register of deeds

of the county in which the property is located, an affidavit stating: (a) The name and address of the owner and holder thereof; (b) the nature of the claim; (c) the amount due on the claim; (d) the date of the last payment on the claim; and (e) a description of the property. This section shall not apply to or affect mortgages, deeds of trust or liens against real property of railroad corporations recorded after January 1, 1890. Infancy, incompetency or nonresidency shall not affect the operation of this act.

[History: L. 1987, ch. 259, § 1; July 1.