

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 9, 2006 in Room 234-N of the Capitol.

All members were present except:

Senator Jim Barone - excused

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary

Conferees appearing before the committee:

Dr. John Wong, Wichita State University
Doug Wareham, KBA

Others attending:

See attached list.

The Chair called the meeting to order and welcomed all those in attendance.

The Chair opened the hearing on **(SB 264) concerning municipalities; relating to depositories for public funds.**

Doug Wareham, Kansas Bankers' Association, introduced Dr. John Wong. Mr. Wareham said in 1995, Dr. Wong served on the Kansas Governor's Tax Equity Task Force as a consultant on the distributional impact of tax reform and the effect of taxation on economic development. Mr. Wareham said Dr. Wong is presently the principal author of the annual Governor's Economic and Demographic Report.

The Chair welcomed Dr. Wong.

Dr. Wong said the chief advantage to placing the deposits in the Kansas financial institutions is that the funds are more likely to be placed with Kansas borrowers, providing financing for investment projects or education.

Dr. Wong said the bottom line is that Kansas borrowers will add to the state's capital stock and therefore to economic activity and income. By increasing the tax base, it is possible that switching local government funds from out-of-state investments to Kansas financial institutions can result in an increase in economic activity, income and tax revenues.

The key to understanding the issue of removing public deposits from local financial institutions is not the precise value of the impact, but the significance of the loss of financial resources from the community as a whole, he said. He continued that allowing local governments to move their funds to out-of-state investments will generally result in fewer local economic development opportunities, reduced income, and lower tax revenues for local governments and the state as a whole. He said an increase in economic activity and/or tax revenues could occur despite the fact that the out-of-state investments offer a higher yield on local government funds than Kansas Deposits.

If Kansas financial institutions offer too low an interest rate on local government funds, that is, if the interest-rate differential is too large, then local governments would maximize their general fund revenues by placing funds in the out-of-state investments. He added if the interest rate differential is small, the gains from higher tax receipts would more than offset the foregone interest income and the local government's general fund revenues would be higher if they deposited their funds into Kansas financial institutions. It should be remembered that deposits into Kansas financial institutions result in an increase in the state's capital stock, translating into increased economic activity and incomes.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 9, 2006 in Room 234-N of the Capitol.

It should also be kept in mind that although permitting local governments to place deposits outside of the county, but within the state, would only have a nominal effect on the state as a whole, the impact on the county itself would be much more significant. For the individual county, it is immaterial whether the funds are lost to another location in Kansas or out of state, he said. The significance of the loss of financial resources on the community would be essentially the same. The impact of the loss in rural areas would be magnified by the fact that it would be much more difficult for borrowers in these areas to secure alternative resources, especially for agricultural and small business purposes, because of the lack of interest or expertise of lenders outside of the local market.

Dr. Wong said he does not purport to recommend appropriate policies for the Kansas Bankers' Association nor the Community Bankers' Association of Kansas. The purpose of the report, he said, is to provide background, data, and analysis that may provide a basis for discussion in the development of policies for the state as a whole. (Attachment 1)

The Chair brought (**SB 264**) before the committee. She said there was a group who worked during the summer on a compromise. The Chair said it was her intention to gut (**SB 264**) and put in the language that has been agreed to by banks and municipalities. She called on Doug Wareham, Kansas Bankers Association, to testify on the proposed language to put into (**SB 264**).

Doug Wareham said bankers realize this is an issue that has been around for a long time and we pledged at the end of last year's session when (**SB 264**) was sitting in this committee that we would try to identify a solution to address the concerns of the Association of Counties, League of Municipalities and other lobbyists who represent local governments. I am happy to report to you that we believe we have accomplished that task. We did have a meeting, a stakeholders' forum is what we called it, with everyone we could identify from the local government lobby and those of us on the financial institutions side, so we do appreciate the fact that there are other factors in play, including service, competition, and population demographics. After that stakeholders forum, our state affairs committee developed a compromise proposal that was subsequently unanimously approved by our Board of Directors and our governing board. The new language we are proposing as an alternative to (**SB 264**) would allow out of state financial institutions to bid on local funds wherever they have a branch location in the taxing district that has the funds to bid. It was not easy to change a position we have had for 60 years, but we understand that times do change and there are different needs for urban or rural areas of our state, Mr. Wareham said.

The Chair asked for comments from Judy Moler, KAC. She said she just wanted to thank the Bankers' Association for their work in bringing us together last summer and for the results of that work.

Don Mohler said we also would like to thank KBA for the work they have done. The League supports the proposed new version of (**SB 264**) and will be testifying in support of it at the appropriate time.

Jim Edwards, School Board Association. We have reviewed it and appreciate KBA's work on (**SB 264**).

The Chair asked Ken Wilke for an overview of amended (**SB 264**)

Mr. Wilke pointed out to the Committee and those in attendance the changes made to (**SB 264**). (Attachment 2)

Senator Brownlee moved to make this a substitute bill. Senator Barnett seconded the motion. Motion passed.

The Chair said the hearing was closed on (**SB 264**).

The meeting adjourned at 10:30 a.m. The next meeting of this Committee is scheduled for February 13, 2006.

FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: February 9, 2006

NAME	REPRESENTING
Doug Wareham	Kansas Bankers Assn.
Julie Taylor	" "
Kathy Olsen	" "
Kathy Strank	Community Bankers Assoc
Ken Archer	CBBA
Kent Needham	Kansas Bankers Assn.
Nicholas J. Hernandez	Wichita State University
Jim O'Neil	Wichita State
Bill Henry	KS Credit Union Assn
Jim Maup	Foulston Siefkin LLP
Richard A. Smiley	Murray & Assoc.
Jim Edwards	KASB
Marla Goodrich	PMIB
Chuck Stones	KBA
Don Moler	LK M
Judy Moler	KAC
Dan Murray	Frederico Consulting
Kiel Brunner	intern



How Public Funds Investment Policy Impacts the Kansas Economy

For the Senate Financial Institutions and Insurance Committee
Kansas Statehouse, Room 234-N

Topeka, Kansas

By John D. Wong, JD, PhD

Thursday, February 9, 2006

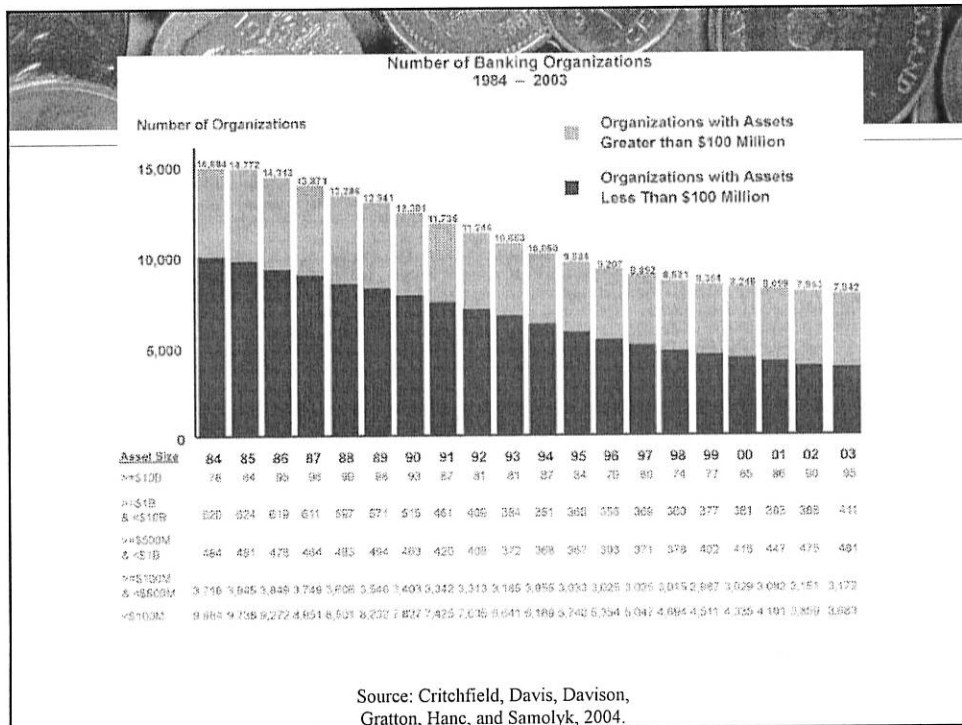
Introduction

- **According to the Advisory Commission on Intergovernmental Relations (ACIR):**
 - The second service performed by banks is more elusive to determine but nevertheless must be kept in mind. It relates to the economic functions performed by the banking element. The efficacy with which this function is performed may affect the economic wellbeing of the municipality. For example, undoubtedly the municipality can benefit from loan activities of a bank. Where loans are made for construction of commercial enterprises or residential properties, the city directly benefits from an increase in taxable values so added. The extent to which the economy is maintained through approximate full employment of the labor force in a local town or city is also a factor since this is reflected, in some degree, in the ability of taxpayers to meet taxes imposed by the municipality (Investment of Idle Cash Balances, 1961).
- The purpose of this report is to assess the impact of local government public fund investment decisions on local government economies and budgets and the economy and budget of the State of Kansas' as a whole.
- Much of this report is based on the previous research including:
 - Darwin W. Daicoff's (1966) study on "Surplus Funds of Kansas Local Government,"
 - Carl C. Nielsen's (1985) study on "The Investment of Surplus Funds of Local Governments in the State of Kansas," and
 - Joseph H. Haslag's (2004) study prepared for the Missouri Bankers Association and the Missouri Independent Bankers Association.

*Senate FI & I Com
Attachment 1
February 9, 2006*

Structural Changes in Banking Industry

- Over the last quarter of a century, the structure of the U.S. banking industry has indeed undergone an almost unprecedented transformation—one marked by a substantial decline in the number of commercial banks and savings institutions and a growing concentration of industry assets among a few dozen extremely large financial institutions.
 - At the year-end 1984, there were 15,084 banking and thrift organizations.
 - By year-end 2003, that number had fallen to 7,842—a decline of almost 48 percent.
 - Distributed by size, nearly all the decline occurred in the community bank sector, and especially among the smallest size group.
 - Yet community banks and thrifts still account for 94 percent of banking organizations.
- The bulk of the decline in the number of organizations from year-end 1984 through 2003 was due to unassisted mergers and acquisitions.
 - During that period, 8,422 individual bank and thrift organizations disappeared through unassisted mergers and holding company purchases.
 - In fact, mergers and acquisitions were the single largest contributor to the net decline in banking organizations in every year through 2003, even the years when the savings and loan (S&L) and banking crises were at their peak.
 - Before 1993, though, another significant contributor to the decline in the number of banking organizations was failures.
- At the same time that the number of banking organizations was decreasing, industry assets were increasing.
 - Over the 1984-2003 period, they more than doubled (in nominal terms) to \$9.1 trillion.
 - Existing assets and asset growth, however, were not evenly distributed across the industry but, instead, were becoming more and more concentrated among the nation's largest financial institutions.
 - The asset share of the largest size group—organizations with more than \$10 billion in assets—increased dramatically, rising from 42 percent in 1984 to 73 percent in 2003.
 - In contrast, the share of industry assets held by community banks dropped from 28 percent in 1984 to only 14 percent; and the smallest banks, those organizations with less than \$100 million in assets, accounted as a group for only 2 percent of industry assets in 2003—compared with 8 percent in 1984.
- In terms of deposits, industry concentration has been equally dramatic: a quarter of the nation's domestic deposits are now controlled by just 3 organizations, whereas in 1984 that proportion of deposits was held by 42 companies.

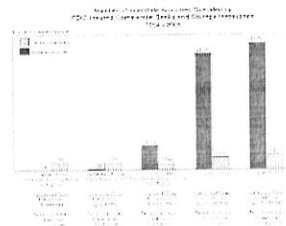
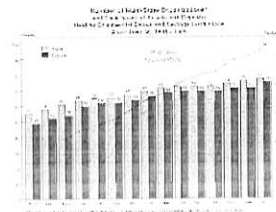


Regulatory Changes in the Banking Industry

- Over the past 20 years the structure of the U.S. banking system has changed enormously in response to changes in the legal, regulatory, and financial landscape.
 - The passage of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 undoubtedly helped spur large banks to spread across state lines and to grow.
 - This development helped create large, geographically diversified branch networks that stretch across large regions and even coast-to-coast.
 - The Gramm-Leach-Bliley Financial Services and Modernization Act of 1999 (GLB) allowed the largest banking organizations to engage in a wide variety of financial services, acquiring new sources of noninterest income and further diversifying their earnings.
 - Contributing to these developments were advances in information technology that facilitated control of far-distant operations and fostered new products, services, and risk-management techniques.

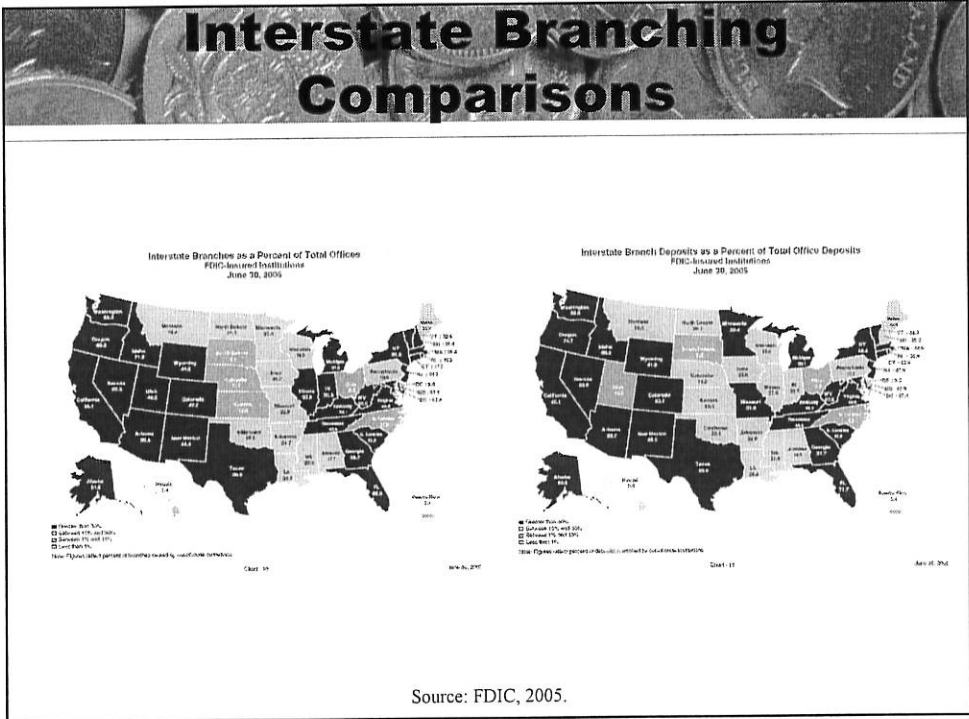
Impact of Interstate Branching

- During the past decade, there has been a decline in the number and market share of one-office institutions and an increase in the importance of multi-branch banks.
- The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal) removed many remaining individual state law restrictions on interstate branch banking.
 - As might be expected, subsequent to the enactment of Riegle-Neal, interstate branching increased rapidly as banks sought to simplify their structure by consolidating multi-state and multi-bank operations into branches and then began to expand their branch networks under the new, relaxed rules.
 - Riegle-Neal began a ten-year period that saw a strong upward trend in the number of offices and deposits held in interstate banking organizations.



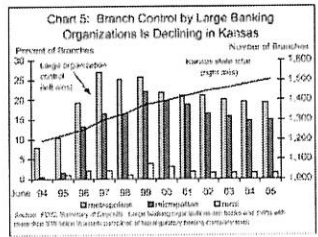
Source: FDIC, 2005.

Interstate Branching Comparisons



While Statewide Bank Branch Growth Continues In Kansas, Large Bank Control Is Declining

- The pace of bank branch growth in Kansas was lower for the four quarters ending June 2005 compared to the previous year.
- Most of the bank branch growth has been at smaller organizations—those with combined assets of \$10 billion or less.
 - Larger bank control has steadily declined in the state's urban areas.
 - Some large banks have slowly shed branch locations, many of which were acquired by smaller organizations, while smaller organizations and new bank organizations have been adding bank branches.



FDIC Kansas Profile, 2005.

Stronger Demographics Lead To Higher Deposit Growth Rates In Kansas Metropolitan Areas

- **Annual Summary Deposits data as of June 30, 2005, show that deposit growth among community bank branches in Kansas metropolitan areas has outpaced the rest of the state over the past five years.**
- **Primarily, this is indicative of the growing polarity in Kansas population growth.**
- **Seeking better growth opportunities, an increasing number of non-metropolitan-based institutions in Kansas are opening branches in metropolitan areas.**
 - **In 1995, 5 percent of banks headquartered in non-metropolitan Kansas had branches in metro areas.**
 - **That proportion has steadily increased, registering 10 percent in 2000 and 12 percent in 2005.**
- **Although branching into metro areas might provide increased deposit growth opportunities for some institutions, it might also subject them to greater direct competition with significantly larger institutions.**

Table 1: Community Bank Deposit Growth Is Stronger in Kansas' Metropolitan Areas

Kansas Branch Location	Deposit Growth	Population Growth
Metropolitan	7.6	1.1
Metropolitan	5.2	0.3
Rural	4.8	-1.0
Statewide	6.0	0.4

Source: FDIC, U.S. Census Bureau. Community banks in operation since at least 1997. Annualized growth rates: deposits '00-'05, population '00-'04.

FDIC Kansas Profile, 2005.

Rural Depopulation

Figure 3

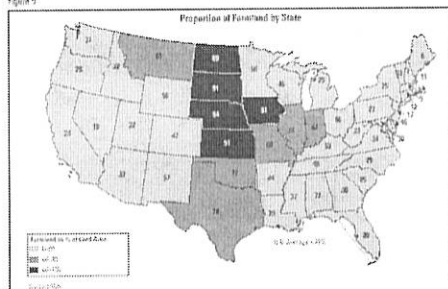
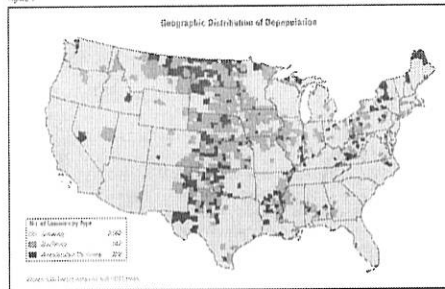


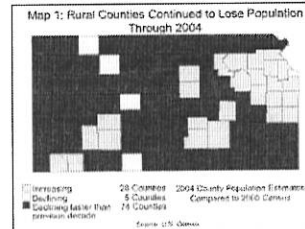
Figure 1



Source: Critchfield, Davis, Davison, Gratton, Hanc, & Samolyk, 2004.

Rural Counties in Kansas Have Continued To Lose Population Since The 2000 Census

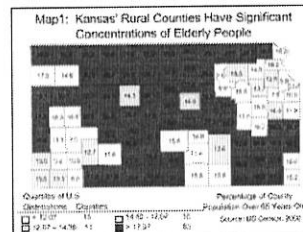
- According to the 2004 Estimates of County Population released by the Census Bureau in April 2005, the Kansas population increased by nearly 11,000 people compared with the previous year.
- The metropolitan areas of Kansas City, Lawrence, Topeka, and Wichita showed most of the increase, accounting for more than 85 percent of the added population.
- However, rural counties in Kansas continued their trend of depopulation as 79 of the state's 105 counties lost population from 2000 to 2004. Because of rural depopulation, population in Kansas grew only 1.8 percent (42nd among all states) during the period.



FDIC Kansas Profile, 2005.

Rural Counties in Kansas Have Relatively Large Concentrations Of Elderly People

- Based on 2000 Census data, 63 of the 105 counties in Kansas rank in the top quarter of the nation's counties in terms of population older than 65. All but one of these counties are rural.
- Large concentrations of the elderly tend to be associated with rural depopulation, as 59 of the older counties lost population between 1970 and 2000.
- These counties typically experience the out-migration of younger people seeking educational or employment opportunities.
- The Census Bureau projects that by 2030, 20.2 percent of the Kansas population will be older than 65, compared with 19.7 percent for the United States.



FDIC Kansas Profile, 2005.

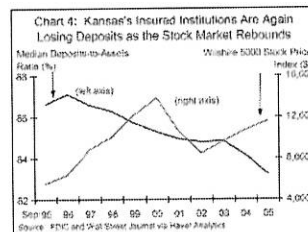
Aging Populations Pose Challenges To Financial Institution Funding

- Insured institutions operating in rural areas face funding challenges, especially in areas with large elderly populations.
- Commonly, when elderly depositors pass away, their deposits quickly move to their heirs' institutions, often located in far-away metropolitan areas.
- Partly resulting from the aging population in Kansas's rural areas, the state's rural core deposit base has grown just 34.1 percent over the past decade, compared with 52.0 percent for the nation.
- As the state's rural areas continue to grow older over the next few decades, funding may become increasingly difficult to maintain.

FDIC Kansas Profile, 2005.

Kansas Insured Institutions Report Continuing Strong Operating Results, But Deposit Disintermediation Appears To Have Returned

- While institution deposit-to-asset ratios stabilized from 2000 to 2003, coinciding with declining desirability of alternatives to deposits such as stock investments, the resurgence of equities is again causing deposit levels to lag



FDIC Kansas Profile, 2005.

General Investment Authority Of Local Governments

- The general investment statutes do not restrict investment of proceeds of bond issues, sinking funds, building funds, local pension or retirement funds, or other funds or moneys the investments of which are specifically authorized by other statutes.
- The general investment statutes apply to counties, cities, townships, school districts, area vocational-technical schools, community colleges, firefighters' relief associations, community mental health and retardation centers, and any other governmental entity having authority to receive and expend public moneys.

"Guidelines," 1997.

Types of Investment Authorized

- Under K.S.A. 12-1675, as amended, local units of government may first invest moneys which are not immediately required for the purposes which they were collected or received as follows:
 - Time deposit/open accounts (TD/OAs) or certificates of deposits (CDs), or time certificates of deposits
 - Banks, S&L associations, or savings banks which have a main or branch office in the investing unit and which will make deposits available to the investing unit at interest rates equal to or greater than the investment rate, or at a rate agreed upon by the parties; or
 - If there is no main or branch office of an eligible financial institution in the investing unit, or no eligible financial institution will pay the investment rate or greater, then the investing unit may invest in banks, S&L associations, or savings banks which have a main or branch office in the county or counties in which all or part of the unit is located and which will pay the investment rate or a rate agreeable to the parties.
 - Maturities may not exceed two years.
 - Repurchase agreements (repos) for direct or insured obligations of the federal government or any agency thereof.
 - Such investments may be made at any time and they must be with a Kansas bank, S&L association, or federally chartered savings bank having an office in the investing local unit, except:
 - if there is no office in the unit or if an eligible financial institution in the unit will not enter into an agreement at an interest rate equal to or higher than the "investment rate," then a repo may be made with a bank, S&L association, or federally chartered savings bank having an office in the county or counties in which all or part of the investing unit is located;
 - or, as a last resort, if no bank, S&L association, or federally chartered savings bank in such county or counties will enter into an agreement at a rate at least equal to the "investment rate," then a repo may be made with any such Kansas financial institution.
 - Temporary notes or no-fund warrants issued by the investing governmental unit.

"Guidelines," 1997.

Alternatives If No Eligible Financial Institutions

- **If no eligible financial institutions, whether in the investing unit or within the county or counties of the investing unit, will accept the local unit funds at a rate at least equal to the investment rate, the investing unit may then invest in any of the following:**
 - U.S. treasury bills or notes with maturities not exceeding two years.
 - **The Municipal Investment Pool Fund**
 - Any deposit in the pool must be for the same term as the deposit that was offered and refused locally.
 - Upon maturity, deposits in the pool must be offered to eligible financial institutions for investment and refused before they may be reinvested in the pool.
 - Local units may invest the proceeds of bonds or temporary notes not currently needed without having first to offer the investment to eligible financial institutions (K.S.A. 10-131, as amended).
 - The Director of Investments of the state Pooled Money Investment Board (PMIB) may invest money in the pool fund in accordance with policies of the Board.
 - A fee, applied as a fixed percentage of moneys in the portfolio, shall be charged (i.e., deducted from earnings). The fee is apportioned at the rate of 0.10 percent on the state money in the portfolio and a 0.25 percent on money in the Municipal Investment Pool within the portfolio.
 - **Direct investments authorized for cities and counties**
 - Only cities and counties that have written investment policies approved by their governing bodies and by the PMIB may make directly the investments authorized in that statute.
 - If a city or county violates K.S.A. 12-1675(c) or (d), as amended, or the rules and regulations of the PMIB, it forfeits its direct investment authority for two years and can be reinstated only after a complete review of its investment policy by the PMIB. Notice and an opportunity to be heard on the matter of forfeiture must be given in accordance with the Kansas Administrative Procedure Act.
 - Investments in securities shall be transacted only with banks, S&L associations, and savings banks incorporated under the laws of this state, or organized under the laws of the United States and which have a main office in this state; or primary government securities dealers which report to the Federal Reserve Bank of New York; or broker-dealers registered in compliance with Section 15C of the Securities Exchange Act of 1934 and registered pursuant to K.S.A. 17-1254 and amendments thereto.
 - **Multiple client investment pools managed by trust departments of commercial banks**
 - Trust departments must be of banks which have main or branch offices in the county or counties where the investing unit is located.
 - Investments by such departments are subject to the same terms, conditions, and limitations that are applicable to the Municipal investment Pool.
 - Investments may be made with trust companies incorporated under the laws of this state which have contracted to provide trust services under K.S.A. 9-2107, and amendments thereto, and have offices located in the county or counties in which the investing unit is located.
- **All security purchases and repurchase agreements shall occur on a delivery versus payment basis, and they must be perfected in the name of the investing unit, and shall be delivered to the purchaser or a third party custodian who may be the State Treasurer.**

"Guidelines," 1997.

Policy Considerations

- **Objectives of investment of government funds**
 - Maximization of revenues
 - **Relationship with the banking community:** "The efficacy with which this function is performed may affect the economic well-being of the municipality. For example, undoubtedly the municipality can benefit from loan activities of a bank. Where loans are made for construction of commercial enterprises or residential properties, the city directly benefits from an increase in taxable values so added. The extent to which the economy is maintained through approximate full employment of the labor force in a local town or city is also a factor since this is reflected, in some degree, in the ability of taxpayers to meet taxes imposed by the municipality."
 - **Principles and types of investment**
 - Safety
 - Liquidity
 - Yield
- **Objectives of the Kansas law**
 - The law is designed to insure that there be adequate security for public deposits and that public moneys be deposited in local financial institutions.
 - The law encourages investment in Kansas state, local government, and certain not-for-profit corporation securities.

"Investment," 1961.

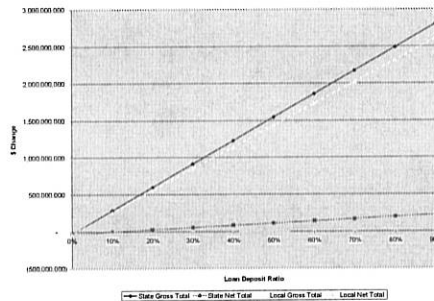
Comparison of Public Funds Investment Policy for Local Units of Government

Policy	Description	Status
<p>Current Law</p> <p>Active Funds: K.S.A. 9-1401 et. seq.</p> <p>Idle Funds: K.S.A. 12-1675 et. seq.</p>	<p>Active Funds: Allows local units of government to invest their active funds in Kansas-chartered banks or savings and loans, or national banks or savings and loans having their main office in Kansas if they have a bank or branch in the taxing district of the government unit investing those funds. If none of these qualified institutions offer an "acceptable" bid, then the entities may invest active funds in out of state banks or savings and loans having a bank or branch within the taxing district of the government unit.</p> <p>Idle Funds: Allows local units of government to invest their idle funds in Kansas-chartered banks or savings and loans, or national banks or savings and loans having their main office in Kansas if they have a branch in the taxing district of the government unit investing those funds.</p>	<p>Most recent amendments representing a change in policy to this law were adopted by the Kansas Legislature in 1997.</p>
<p>Senate Bill 264 (Introduced by Kansas Association of Counties)</p>	<p>S.B. 264 would allow local units of government to invest their active and idle funds with any bank or savings and loan having at least one branch location anywhere within the borders of Kansas.</p>	<p>S.B. 264 was introduced during the 2005 State Legislative Session by the Senate Committee on Federal and State Affairs. S.B. 264 was referred to the Senate Financial Institutions and Insurance Committee. No action was taken on the bill in 2005. S.B. 264 is available for consideration in 2006.</p>
<p>KBA Legislative Proposal</p>	<p>Allows local units of government to invest their active and idle funds in branches of an out of state bank or savings and loan, <u>if and only if, they have a branch in the taxing district of the government unit investing those funds.</u></p>	<p>KBA's legislative proposal has been presented to key state legislators at the center of the debate on public funds investment policy. KBA's proposal will be offered during the 2006 State Legislative Session as an alternative to changes proposed in Senate Bill 264.</p>

KBA.

Sensitivity Analysis Model— Loan/Deposit Ratio (Haslag, 2004)

- **Assumptions**
 - Kansas deposit rate: 4%
 - Out-of-state investment rate: 5%
 - Growth rate: 5%
 - State & local taxes: 9% of total income
- **Impact**
 - **State economy:** The state as a whole would experience a gain in economic activity and tax revenues from maintaining local government deposits in Kansas financial institutions as long as at least 1.0 percent of these deposits are loaned out to support activities in the state.
 - **State & local government revenues:** State and local government revenues would increase from maintaining local government deposits in Kansas financial institutions as long as at least 10.6 percent of these deposits are loaned out to support activities in the state.
 - **Local economy:** Local economies will experience a gain in economic activity and tax revenues from maintaining local government deposits in Kansas financial institutions as long as at least 1.0 percent of these deposits are loaned out to support activities in the state.
 - **Local government revenues:** Local government revenues will increase from maintaining local government deposits in Kansas financial institutions as long as at least 45.4 percent of these deposits are loaned out to support activities in the state.



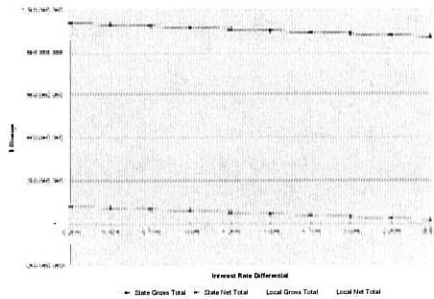
Sensitivity Analysis Model—Interest Rate Differential (Haslag, 2004)

Assumptions

- Kansas loan/deposit ratio: 10%
- Growth rate: 5%
- State & local taxes: 9% of total income

Impact

- **State economy:** The state as a whole would experience a gain in economic activity and tax revenues from maintaining local government deposits in Kansas financial institutions as long as there is less than a 31.5 percentage point differential between Kansas and out-of-state investment rates.
- **State & local government revenues:** State and local government revenues would increase from maintaining local government deposits in Kansas financial institutions as long as there is less than a 2.8 percentage point differential between Kansas and out-of-state investment rates.
- **Local economy:** Local economies would experience a gain in economic activity and tax revenues from maintaining local government deposits in Kansas financial institutions as long as there is less than a 29.3 percentage point differential between Kansas and out-of-state investment rates.
- **Local government revenues:** Local government revenues would increase from maintaining local government deposits in Kansas financial institutions as long as there is less than a 0.7 percentage point differential between Kansas and out-of-state investment rates.



"At Risk" Loans Model (Nielsen, 1985)

Model

A commonly used indicator of the relative safety of a commercial bank is the ratio of its total loans to total deposits.

- The underlying assumption is that if this ratio becomes too large, it indicates a potentially illiquid position and perhaps an inadequate cushion of capital.
- Furthermore, the regulatory agencies monitor this ratio in an effort to assure the safety and soundness of banks. The level at which an individual bank's loan/deposit ratio is maintained is essentially a management decision, within the framework of protecting the safety and liquidity of the bank and of conforming to the requirements of the regulatory agencies.
- Within these constraints, however, individual banks can basically determine just how "loaned up" they wish to be.
- Notwithstanding the potential impact on the state as a whole, it is also important to examine "at risk loans" in individual counties.
- Assuming that the managements of individual banks would not wish to see their individual loan/deposit ratios increased significantly, the potential "loans at risk" in each county would be the same as the local idle funds to total deposits percentages noted previously.

Results

- If the local idle funds deposits were lost and loans were not reduced, the loan/deposit ratio for all financial institutions in Kansas would 5.7 percent.
 - Without drawing a conclusion that such an increase in the aggregate loan/deposit ratio would necessarily undermine financial institutions in Kansas, such an increase may be unacceptable to many individual financial institutions.
 - Hence, many loans might become "at risk."
 - The more likely scenario, if local idle funds were removed from local financial institutions, would be reductions in loans. The estimated total "at risk" loans in Kansas in 2002 was \$2.3 billion. In four Kansas counties, loans would have to be reduced by over 10 percent of their present level. Such reductions in loanable funds would have an adverse effect on major segments of the Kansas economy.
- If the public funds investment law in Kansas were changed to permit local governmental units to invest deposits out-of-state, and if all local idle funds were so invested, there would be a potential drop in total deposits of 5.6 percent or \$2.8 billion.
 - Notwithstanding the potential impact on the state as a whole, it is also important to examine "at risk" loans in individual counties.
 - In four Kansas counties, local idle funds are in excess of 10 percent of total deposits.
 - Assuming that the managements of individual financial institutions would not wish to see their individual loan/deposit ratios increased significantly, the potential "loans at risk" in each county would be the same as the local idle funds to total deposits percentages noted previously.
 - Wyandotte County: 24.8 percent (\$484.7 million)
 - Sedgewick County: 11.4 percent (\$181 million)
 - Lyon County: 10.7 percent (\$7.3 million)
 - Shawnee County: 10.8 percent (\$128.9 million)

Income Multiplier Model (Daicoff, 1966)

- **Model**
 - In examining impact on the Kansas economy of deposits in Kansas banks it is necessary to understand the operation of the income multiplier, which reflects the well known fact that income arising from a given amount of spending will be in part saved and in part re-spent.
 - As concerns the Kansas economy, we must make allowances for the fact only a part of the spending by Kansas consumers and businesses will result in income to other Kansans; part of the spending will be for goods and services outside Kansas.
 - First, the state gains on the corporation income tax on the earnings which the banks receive through the lending of these funds.
 - Secondly, the deposit of state funds within the banking system of the state increases the lend-able funds available.
 - This in turn has its impact on investment, consumption, economic growth, and employment within the state.
 - Thus added economic activity in turn generates further tax revenues to be paid into the coffers of the state.
- **Results**
 - The estimated bank balances for Kansas local governments are \$2.9 billion
 - Based on this the present deposits of idle local funds account for:
 - \$4.6 billion of the total bank deposits in Kansas,
 - \$3.7 billion of the personal income received in Kansas, and
 - \$436.6 million in state and local taxes in Kansas.

Conclusions

- The chief advantage to placing the deposits in the Kansas financial institutions is that the funds are more likely to be placed with Kansas borrowers, providing financing for investment projects or education.
 - The bottom line is that Kansas borrowers will add to the state's capital stock and therefore to economic activity and income.
 - By increasing the tax base, it is possible that switching local government funds from out-of-state investments to Kansas financial institutions can result in an increase in economic activity, income, and tax revenues.
 - Thus, the key to understanding the issue of removing public deposits from local financial institutions is not the precise value of the impact, but the significance of the loss of financial resources from the community as a whole.
- Allowing local governments to move their funds to out-of-state investments will generally result in fewer local economic development opportunities, reduced income, and lower tax revenues for local governments and the state as a whole.
 - An increase in economic activity and/or tax revenues could occur despite the fact that the out-of-state investments offer a higher yield on local government funds than Kansas deposits.
 - If Kansas financial institutions offer too low an interest rate on local government funds, that is, if the interest-rate differential is too large, then local governments would maximize their general fund revenues by placing funds in the out-of-state investments.
 - However, if the interest rate differential is small, the gains from higher tax receipts would more than offset the foregone interest income and the local government's general fund revenues would be higher if they deposited their funds into Kansas financial institutions.
 - Moreover, it should be remembered that deposits into Kansas financial institutions result in an increase in the state's capital stock, translating into increased economic activity and incomes.
- It should also be kept in mind that although permitting local governments to place deposits outside of the county, but within the state, would only have a nominal effect on the state as a whole, the impact on the county itself would be much more significant.
 - For the individual county, it is immaterial whether the funds are lost to another location in Kansas or out of state.
 - The significance of the loss of financial resources on the community would be essentially the same.
 - The impact of the loss in rural areas would be magnified by the fact that it would be much more difficult for borrowers in these areas to secure alternative resources, especially for agricultural and small business purposes, because of the lack of interest or expertise of lenders outside of the local market.

SENATE BILL No. 264

By Committee on Federal and State Affairs

2-15

9 AN ACT concerning municipalities; relating to depositories for public
10 funds; amending K.S.A. 9-1401, 9-1408, 12-1675 and 12-1675a and
11 repealing the existing sections.

12
13 Be it enacted by the Legislature of the State of Kansas:

14 Section 1. K.S.A. 9-1401 is hereby amended to read as follows: 9-
15 1401. (a) The governing body of any municipal corporation or quasi-mu-
16 nicipal corporation shall designate by official action recorded upon its
17 minutes the banks, savings and loan associations and savings banks which
18 shall serve as depositories of its funds and the officer and official having
19 the custody of such funds shall not deposit such funds other than at such
20 designated banks, savings and loan associations and savings banks. [The
21 banks, savings and loan associations and savings banks which have main
22 or branch offices in the county or counties in which all or part of such
23 municipal corporation or quasi-municipal corporation is located shall be
24 designated as such official depositories if the municipal or quasi-munie-
25 cipal corporation can obtain satisfactory security therefor. For purposes of
26 this subsection, banks, savings and loan associations or savings banks or-
27 ganized under the laws of the United States or another state which do
28 not have a main office in this state, may be designated as depositories of
29 such municipal corporation's or quasi-municipal corporation's funds in
30 accordance with this subsection, if such banks, savings and loan associa-
31 tions and savings banks have branch offices in the county or counties in
32 which all or part of such municipal corporation or quasi-municipal cor-
33 poration is located, except that such banks, savings and loan associations
34 or savings banks shall not be eligible to receive deposits except in ac-
35 cordance with subsection (c).]

The banks, savings and loan associations and savings banks
which have main or branch offices in the county or counties in
which all or part of such municipal corporation or
quasi-municipal corporation is located shall be designated as
such official depositories if the municipal or quasi-municipal
corporation can obtain satisfactory security therefor.

36 (b) [Every officer or person depositing public funds shall deposit all
37 such public funds coming into such officer or person's possession in their
38 name and official title as such officer. If the governing body of the mu-
39 nicipal corporation or quasi-municipal corporation fails to designate an
40 official depository or depositories, the officer thereof having custody of
41 its funds shall deposit such funds with one or more banks, savings and
42 loan associations or savings banks which have main or branch offices in
43 the county or counties in which all or part of such municipal corporation

Senate FI's I Com
Attachment 2-1
February 9, 2006

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1 ~~or quasi-municipal corporation is located~~ if satisfactory security can be
 2 obtained therefor ~~and if not then elsewhere, but upon so doing. Upon~~
 3 ~~depositing such funds the officer~~ shall serve notice in writing on the gov-
 4 erning body showing the names and locations of such banks, savings and
 5 loan associations and savings banks where such funds are deposited, ~~and~~
 6 ~~upon so doing. Upon deposit of funds as provided in this section~~ the
 7 officer having custody of such funds shall not be liable for the loss of any
 8 portion thereof except for official misconduct or for the misappropriation
 9 of such funds by such officer.

10 (c) ~~If eligible banks, savings and loan associations or savings banks~~
 11 ~~under subsections (a) or (b) cannot or will not provide an acceptable bid,~~
 12 ~~which shall include services, for the depositing of public funds under this~~
 13 ~~section, then banks, savings and loan associations or savings banks organ-~~
 14 ~~ized under the laws of the United States or another state which do not~~
 15 ~~have a main office in this state, may receive deposits of such municipal~~
 16 ~~corporation or quasi-municipal corporation, if such banks, savings and~~
 17 ~~loan associations or savings banks have been designated as official depos-~~
 18 ~~itories under subsection (a), have branch offices in the county or counties~~
 19 ~~in which all or part of such municipal corporation or quasi-municipal~~
 20 ~~corporation is located and the municipal corporation or quasi-municipal~~
 21 ~~corporation can obtain satisfactory security therefor.~~

(b) Every officer or person depositing public funds shall deposit all such public funds coming into such officer or person's possession in their name and official title as such officer. If the governing body of the municipal corporation or quasi-municipal corporation fails to designate an official depository or depositories, the officer thereof having custody of its funds shall deposit such funds with one or more banks, savings and loan associations or savings banks which have main or branch offices in the county or counties in which all or part of such municipal corporation or quasi-municipal corporation is located if satisfactory security can be obtained therefor and if not then elsewhere, but upon so doing shall serve notice in writing on the governing body showing the names and locations of such banks, savings and loan associations and savings banks where such funds are deposited, and upon so doing the officer having custody of such funds shall not be liable for the loss of any portion thereof except for official misconduct or for the misappropriation of such funds by such officer.

(c) If eligible banks, savings and loan associations or savings banks under subsections (a) or (b) cannot or will not provide an acceptable bid, which shall include services, for the depositing of public funds under this section, then banks, savings and loan associations or savings banks organized under the laws of the United States or another state which do not have a main office in this state, may receive deposits of such municipal corporation or quasi-municipal corporation, if such banks, savings and loan associations or savings banks have been designated as official depositories under subsection (a), have branch offices in the county or counties in which all or part of such municipal corporation or quasi-municipal corporation is located and the municipal corporation or quasi-municipal corporation can obtain satisfactory security therefor.

which have main or branch offices in an adjoining county to the county in which all or part of such municipal or quasi-municipal corporation is located

22 Sec. 2. K.S.A. 9-1408 is hereby amended to read as follows: 9-1408.

23 As used in article 14 of chapter 9 of the Kansas Statutes Annotated:

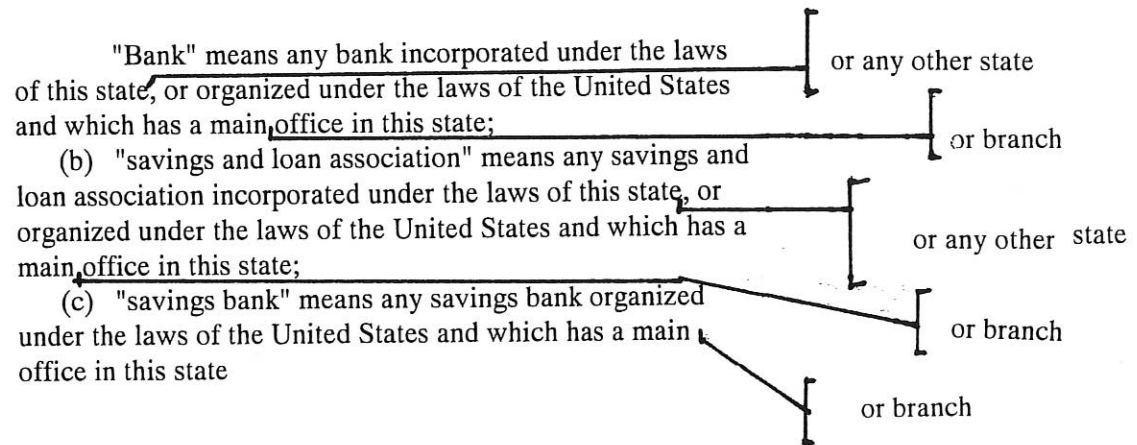
24 (a) ["Bank" means ~~any~~ a bank incorporated under the laws of this
25 state, or organized under the laws of the United States *or any other state*
26 and which has a main *or branch* office in this state *and which maintains*
27 *a community reinvestment act rating of satisfactory or above;*

28 (b) "savings and loan association" means ~~any~~ a savings and loan as-
29 sociation incorporated under the laws of this state, or organized under
30 the laws of the United States *or another state, insured by the federal*
31 *deposit insurance corporation or its successor* and which has a main *or*
32 *branch* office in this state *and which maintains a community reinvestment*
33 *act rating of satisfactory or above;*

34 (c) "savings bank" means ~~any~~ a savings bank organized under the laws
35 of the United States *or another state, insured by the federal deposit in-*
36 *surance corporation or its successor* and which has a main *or branch* office
37 in this state *and which maintains a community reinvestment act rating of*
38 *satisfactory or above;*

39 (d) "centralized securities depository" means a clearing agency reg-
40 istered with the securities and exchange commission which provides safe-
41 keeping and book-entry settlement services to its participants;

42 (e) "municipal corporation" or "quasi-municipal corporation" in-
43 cludes each investing governmental unit under K.S.A. 12-1675, and



1 amendments thereto;

2 (f) "main office" means the place of business specified in the articles
3 of association, certificate of authority or similar document, where the
4 business of the institution is carried on and which is not a branch;

5 (g) "branch" means any office [agency or other place of business]
6 within this state, other than the main office, at which deposits are re-
7 ceived, checks paid or money lent [with approval of the appropriate reg-
8 ulatory authorities]. Branch does not include an automated teller machine,
9 remote service unit or similar device;

[that is approved as a branch by a federal
or state supervisory agency,

[or a loan production office

10 (h) "securities," "security entitlements," "financial assets," "securities
11 account," "security agreement," "security interest," "perfection" and
12 "control" shall have the meanings given such terms under the Kansas
13 uniform commercial code.

14 Sec. 3. K.S.A. 12-1675 is hereby amended to read as follows: 12-
15 1675. (a) The governing body of any county, city, township, school district,
16 area vocational-technical school, community college, firemen's relief as-
17 sociation, community mental health center, community facility for the
18 mentally retarded or any other governmental entity, unit or subdivision
19 in the state of Kansas having authority to receive, hold and expend public
20 moneys or funds may invest any moneys which are not immediately re-
21 quired for the purposes for which the moneys were collected or received,
22 and the investment of which is not subject to or regulated by any other
23 statute.

24 (b) Such moneys shall be invested only:

25 (1) In temporary notes or no-fund warrants issued by such investing
26 governmental unit;

27 (2) [in time deposit, open accounts, certificates of deposit or time cer-
28 tificates of deposit with maturities of not more than two years: (A) in
29 banks, savings and loan associations and savings banks, which have main
30 or branch offices located in such investing governmental unit, or (B) if
31 no main or branch office of a bank, savings and loan association or savings
32 bank is located in such investing governmental unit, then in banks, savings
33 and loan associations and savings banks, which have main or branch of-
34 fices in the county or counties in which all or part of such investing gov-
35 ernmental unit is located;

36 (3) in repurchase agreements with: (A) banks, savings and loan as-
37 sociations and savings banks, which have main or branch offices located
38 in such investing governmental unit, for direct obligations of, or obliga-
39 tions that are insured as to principal and interest by, the United States
40 government or any agency thereof; or (B) (i) if no main or branch office
41 of a bank, savings and loan association or savings bank, is located in such
42 investing governmental unit, or (ii) if no such bank, savings and loan
43 association or savings bank having a main or branch office located in such

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1 ~~[investing governmental unit is willing to enter into such an agreement~~
 2 ~~with the investing governmental unit at an interest rate equal to or greater~~
 3 ~~than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a,~~
 4 ~~then such repurchase agreements may be entered into with banks, savings~~
 5 ~~and loan associations or savings banks which have main or branch offices~~
 6 ~~in the county or counties in which all or part of such investing govern-~~
 7 ~~mental unit is located, or (C) if no bank, savings and loan association or~~
 8 ~~savings bank, having a main or branch office in such county or counties~~
 9 ~~is willing to enter into such an agreement with the investing governmental~~
 10 ~~unit at an interest rate equal to or greater than the investment rate, as~~
 11 ~~defined in subsection (g) of K.S.A. 12-1675a, then such repurchase agree-~~
 12 ~~ments may be entered into with banks, savings and loan associations or~~
 13 ~~savings banks.]~~

(2) in time deposit, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years: (A) In banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit; or (B) if no main or branch office of a bank, savings and loan association or savings bank is located in such investing governmental unit, then in banks, savings and loan associations and savings banks, which have main or branch offices in the county or counties in which all or part of such investing governmental unit is located;

(3) in repurchase agreements with: (A) Banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit, for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof; or (B) (i) if no main or branch office of a bank, savings and loan association or savings bank, is located in such investing governmental unit; or (ii) if no such bank, savings and loan association or savings bank having a main or branch

office located in such investing governmental unit is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, then such repurchase agreements may be entered into with banks, savings and loan associations or savings banks which have main or branch offices in the county or counties in which all or part of such investing governmental unit is located; or (C) if no bank, savings and loan association or savings bank, having a main or branch office in such county or counties is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, then such repurchase agreements may be entered into with banks, savings and loan associations or savings banks;

located within this state

14 (4) in United States treasury bills or notes with maturities as the gov-
15 erning body shall determine, but not exceeding two years. Such invest-
16 ment transactions shall only be conducted with banks, savings and loan
17 associations and savings banks; the federal reserve bank of Kansas City,
18 Missouri; or with primary government securities dealers which report to
19 the market report division of the federal reserve bank of New York, or
20 any broker-dealer engaged in the business of selling government securi-
21 ties which is registered in compliance with the requirements of section
22 15 or 15C of the securities exchange act of 1934 and registered pursuant
23 to K.S.A. 17-1254, and amendments thereto;

24 (5) in the municipal investment pool fund established in K.S.A. 12-
25 1677a, and amendments thereto;

26 (6) in the investments authorized and in accordance with the condi-
27 tions prescribed in K.S.A. 12-1677b, and amendments thereto; or

28 (7) ~~in multiple municipal client investment pools managed by the~~
29 ~~trust departments of banks which have main or branch offices located in~~
30 ~~the county or counties where such investing governmental unit is located~~
31 ~~or with trust companies incorporated under the laws of this state which~~
32 ~~have contracted to provide trust services under the provisions of K.S.A.~~
33 ~~9-2107, and amendments thereto, with banks which have main or branch~~
34 ~~offices located in the county or counties in which such investing govern-~~
35 ~~mental unit is located.]~~ Public moneys invested under this paragraph shall
36 be secured in the same manner as provided for under K.S.A. 9-1402, and
37 amendments thereto. Pooled investments of public moneys made by trust
38 departments under this paragraph shall be subject to the same terms,
39 conditions and limitations as are applicable to the municipal investment
40 pool established by K.S.A. 12-1677a, and amendments thereto.

41 (c) ~~The investments authorized in paragraphs (4), (5), (6) or (7) of~~
42 ~~subsection (b) shall be utilized only if the banks, savings and loan asso-~~
43 ~~ciations and savings banks eligible for investments authorized in para-~~

in multiple municipal client investment pools managed by
the trust departments of banks which have main or branch
offices located in the county or counties where such investing
governmental unit is located or with trust companies
incorporated under the laws of this state which have contracted
to provide trust services under the provisions of K.S.A.
9-2107, and amendments thereto, with banks which have main
or branch offices located in the county or counties in which
such investing governmental unit is located.

1 ~~graph (2) of subsection (b), cannot or will not make the investments au-~~
 2 ~~thorized in paragraph (2) of subsection (b) available to the investing~~
 3 ~~governmental unit at interest rates equal to or greater than the investment~~
 4 ~~rate, as defined in subsection (g) of K.S.A. 12-1675a.~~

5 ~~—(d) In selecting a depository pursuant to paragraph (2) of subsection~~
 6 ~~(b), if a bank, savings and loan association or savings bank eligible for an~~
 7 ~~investment deposit thereunder has an office located in the investing gov-~~
 8 ~~ernmental unit and such financial institution will make such deposits avail-~~
 9 ~~able to the investing governmental unit at interest rates equal to or greater~~
 10 ~~than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a,~~
 11 ~~and such financial institution otherwise qualifies for such deposit, the~~
 12 ~~investing governmental unit shall select one or more of such eligible fi-~~
 13 ~~ancial institutions for deposit of funds pursuant to this section. If no~~
 14 ~~such financial institution qualifies for such deposits, the investing govern-~~
 15 ~~mental unit shall select for such deposits one or more eligible banks,~~
 16 ~~savings and loan associations or savings banks which have offices in the~~
 17 ~~county or counties in which all or a part of such investing governmental~~
 18 ~~unit is located which will make such deposits available to the investing~~
 19 ~~governmental unit at interest rates equal to or greater than the investment~~
 20 ~~rate, as defined in subsection (g) of K.S.A. 12-1675a, and which otherwise~~
 21 ~~qualify for such deposits.~~

22 ~~—(e) (1) All security purchases and repurchase agreements shall occur~~
 23 ~~on a delivery versus payment basis.~~

24 ~~(2) All securities, including those acquired by repurchase agreements,~~
 25 ~~shall be perfected in the name of the investing governmental unit and~~
 26 ~~shall be delivered to the purchaser or a third-party custodian which may~~
 27 ~~be the state treasurer.~~

28 ~~Sec. 4. K.S.A. 12-1675a is hereby amended to read as follows: 12-~~
 29 ~~1675a. As used in K.S.A. 12-1675, 12-1676, 12-1677, 12-1677a and 12-~~
 30 ~~1677b, and amendments thereto:~~

31 ~~(a) [“Bank” means any a bank incorporated under the laws of this~~
 32 ~~state, or organized under the laws of the United States or another state~~
 33 ~~which has a main or branch office in this state and which maintains a~~
 34 ~~community reinvestment act rating of satisfactory or above;~~

35 ~~(b) “savings and loan association” means any a savings and loan as-~~
 36 ~~sociation incorporated under the laws of this state, or organized under~~
 37 ~~the laws of the United States or another state, insured by the federal~~
 38 ~~deposit insurance corporation or its successor and which has a main or~~
 39 ~~branch office in this state and which maintains a community reinvestment~~
 40 ~~act rating of satisfactory or above;~~

41 ~~(c) “savings bank” means any a savings bank organized under the laws~~
 42 ~~of the United States or another state, insured by the federal deposit in-~~
 43 ~~surance corporation or its successor and which has a main or branch office]~~

(c) The investments authorized in paragraphs (4), (5), (6) or (7) of subsection (b) shall be utilized only if the banks, savings and loan associations and savings banks eligible for investments authorized in paragraph (2) of subsection (b), cannot or will not make the investments authorized in paragraph (2) of subsection (b) available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a.

(d) In selecting a depository pursuant to paragraph (2) of subsection (b), if a bank, savings and loan association or savings bank eligible for an investment deposit thereunder has an office located in the investing governmental unit and such financial institution will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and such financial institution otherwise qualifies for such deposit, the investing governmental unit shall select one or more of such eligible financial institutions for deposit of funds pursuant to this section. If no such financial institution qualifies for such deposits, the investing governmental unit shall select for such deposits one or more eligible banks, savings and loan associations or savings banks which have offices in the county or counties in which all or a part of such investing

governmental unit is located which will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and which otherwise qualify for such deposits.

(e)

1 in this state and which maintains a community reinvestment act rating of
2 satisfactory or above;

3 (d) "municipality" includes each investing governmental unit under
4 K.S.A. 12-1675, and amendments thereto;

5 (e) "main office" means the place of business specified in the articles
6 of association, certificate of authority or similar document, where the
7 business of the institution is carried on and which is not a branch;

8 (f) "branch" means any office, agency or other place of business
9 within this state, other than the main office, at which deposits are re-
10 ceived, checks paid or money lent with approval of the appropriate reg-
11 ulatory authorities. Branch does not include an automated teller machine,
12 remote service unit or similar device; and

13 (g) "investment rate" means a rate which is the equivalent yield for
14 United States government securities having a maturity date as published
15 in the Wall Street Journal, nearest the maturity date for equivalent ma-
16 turities. The 0-90 day rate shall be computed on the average effective
17 federal funds rate as published by the federal reserve system for the
18 previous week.

19 New Sec. 5. At the time that investments of public moneys described
20 in K.S.A. 12-1675, and amendments thereto, mature, the governing body
21 of the governmental subdivision having the authority to receive, hold and
22 expend such public moneys shall reoffer such moneys for deposit to eli-
23 gible banks, savings and loan associations or savings banks defined in
24 K.S.A. 12-1675a, and amendments thereto.

25 Sec. 6. K.S.A. 9-1401, 9-1408, 12-1675 and 12-1675a are hereby
26 repealed.

27 Sec. 7. This act shall take effect and be in force from and after its
28 publication in the statute book.

"Bank" means any bank incorporated under the laws
of this state, or organized under the laws of the United States
and which has a main office in this state; or any other state

(b) "savings and loan association" means any savings and
loan association incorporated under the laws of this state, or
organized under the laws of the United States and which has a
main office in this state; or any other state

(c) "savings bank" means any savings bank organized
under the laws of the United States and which has a main
office in this state; or branch

that is approved by a federal or state supervisory agency

or a loan production office

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