

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Anthony Brown at 3:30 p.m. on March 10, 2010, in Room 784 of the Docking State Office Building.

All members were present except:

Representative Mario Goico- excused  
Representative Virgil Peck- excused

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes  
Sean Ostrow, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Amanda Nguyen, Kansas Legislative Research Department  
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Dennis McKinney, State Treasurer  
Doug Wareham, Vice President, Kansas Banker's Association  
Luke Bell, Kansas Association of Realtors  
Ashley Jones-Wisner, LISC  
Matt Goddard, Heartland Community Bankers Association  
Phil Perry, Homebuilders Association of Greater Kansas City  
Martha Smith, Kansas Manufactured Housing Association  
Chris Wilson, Executive Director, Kansas Building Industry Association  
Larry Baer, League of Kansas Municipalities  
Doug Mays, City of Olathe  
Doug Wareham, Vice President, Kansas Banker's Association  
Lance Caldwell, Promontory Interfinancial Network, LLC  
Charles Letcher, Treasurer, Johnson County, KS

Others attending:

See attached list.

Chairperson Brown opened the hearing on **SB 382 - Housing loan deposit program, eligibility of certain dwellings, outstanding loan amount limit.**

Dennis McKinney, State Treasurer, presented testimony in support of **SB 382** (Attachment 1).

Doug Wareham, Vice President, Kansas Banker's Association presented testimony in support of **SB 382** (Attachment 2).

Luke Bell, Kansas Association of Realtors, presented testimony in support of **SB 382** (Attachment 3).

Ashley Jones-Wisner, LISC, presented written testimony only in support of **SB 382** (Attachment 4).

Matt Goddard, Heartland Community Bankers Association, presented testimony in support of **SB 382** (Attachment 5).

Phil Perry, Homebuilders Association of Greater Kansas City, presented testimony in support of **SB 382** (Attachment 6).

Martha Smith, Kansas Manufactured Housing Association, presented written testimony only, in support of **SB 382** (Attachment 7).

Chris Wilson, Executive Director, Kansas Building Industry Association, presented written testimony only,

CONTINUATION SHEET

Minutes of the House Financial Institutions Committee at 3:30 p.m. on March 10, 2010, in Room 784 of the Docking State Office Building.

in support of **SB 382** (Attachment 8).

Chairperson Brown asked staff to provide an amendment to strike the 80% when **SB 382** is considered in Committee next week. He then closed the hearing on **SB 382**.

Chairperson Brown opened the hearing on **SB 415 - Municipalities; bond investments**.

Melissa Calderwood gave a short summary and comparison of **SB 415 - Municipalities; bond investments** compared to **HB 2540 - Municipal bonds; investment of bond proceeds** (Attachment 9).

Larry Baer, League of Kansas Municipalities, presented testimony in support of **SB 415** (Attachment 10).

Doug Mays, City of Olathe, presented testimony in support of **SB 415** (Attachment 11).

Doug Wareham, Vice President, Kansas Banker's Association, presented testimony in support of **SB 415** (Attachment 12). He requested a balloon amendment (Attachment 12-3) be added to the bill when it is considered in Committee next week.

Bruce Kinzie said Doug Wareham's proposed amendment had not been considered previously for **HB 2540**, the bill that is similar to **SB 415**. He said the two bills could possibly be reconciled and the proposed amendment incorporated by sending them both to conference committee.

Lance Caldwell, Promontory Interfinancial Network, LLC, presented testimony in support of **SB 415** (Attachment 13).

Chairperson Brown closed the hearing on **SB 415**.

Chairperson Brown opened the hearing on **SB 424 - Vehicle registrations; insufficient payments by credit card or other instrument**.

Melissa Calderwood gave a brief overview of **SB 424**.

Charles Letcher, Treasurer, Johnson County, KS, presented testimony in support of **SB 424** (Attachment 14).

Chairperson Brown closed the hearing on **SB 424**.

The next meeting is scheduled for March 15, 2010.

The meeting was adjourned at 4:25 p.m.

HOUSE FINANCIAL INSTITUTIONS COMMITTEE

3:30pm,

Room 784

Docking State Office Building

GUEST LIST

DATE: March 10, 2010

NAME	REPRESENTING
Lance Caldwell	Promontory Int-Financial Network, LLC
Chris Wilson	KS Bldg Industry Assn
Martha Ann Smith	KMHA
Shelby Jones - Hines	GKC LTSC
LIZ MILLER	PMIB
THU DERRY	HBA of CEC
Haley Davis	KCUA
Kendal Kay	KBA
FRANK L. CARSON IV	KBA
Kegan Keady	KBA
Julie Hower	KBA
Rick Smith	KBA
Jeannette Richardson	KBA
LARRY R BAER	LKKA
Charles M. Letcher	Johnson County
Doug Wareham	Kansas Bankers Assn.
Doug Mays	Olathe
Chet Long	KBA



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STATE OF KANSAS  
**Dennis McKinney**  
TREASURER

PHONE: 785-296-3171  
FAX: 785-296-7950

**Senate Bill 382**  
**Kansas Housing Loan Deposit Program**  
**House Committee on Financial Institutions**  
**March 10, 2010**  
**By Kansas State Treasurer Dennis McKinney**

Chairman Brown and members of the committee:

Senate Bill 382 would amend K.S.A. 75-4277 and 75-4279 relating to the Kansas Housing Loan Deposit Program which is administered by the Office of the State Treasurer.

Initially adopted by the Legislature in 2008, the Kansas Housing Loan Deposit Program provides qualified builders/developers in Kansas access to \$60 million in loans. As originally approved by the Legislature, \$30 million of the loan fund is available state-wide and \$30 million is designated for areas impacted by tornado and flooding damage in 2007 including the cities of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie. The full loan fund would then be made available for affordable housing construction statewide beginning in FY 2012.

This program gives Kansas banks the ability to provide incentives for housing construction development loans. These loans can be authorized for a length of up to 5 years for a single family home valued at not more than 350% of the Kansas Median family income as reported by the most recent U.S. Census Report (\$165,694 as of July 1, 2009).

Upon taking office I discovered that the loan fund was underutilized and in visiting with lenders and developers learned that some of the elements of the loan program created obstacles that made the loans unattractive for both lending institutions and housing developers. Currently less than \$500,000 has been loaned out. Our office began meeting with representatives of the banking industry, housing developers and realtors to determine ways to revise the program that are consistent with its original purpose of spurring affordable housing development.

From those discussions, we have come up with the provisions proposed in SB 382 which would amend the existing statutes in the following manner:

- Open up the loan program for construction of multi-family dwellings;
- Remove the requirement limiting the value of eligible housing to 350% of the Kansas Median family income instead limiting the value of eligible housing to the average purchase

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 1-1

price for the state of Kansas as established by the treasurer through regulations based on the federal rules for homes that are eligible for mortgage revenue bonds. This would raise the amount to \$287,434 for a single-family dwelling and up to \$552,757 for a four dwelling unit.

- Eliminate the existing limit of one outstanding loan to a participating borrower instead capping participating borrowers at \$2 million in outstanding loans.
- Move up the date expansion of the full loan program statewide from July 1, 2011 to January 1, 2011.

The Senate amended the bill to cap the housing value at 80% of the MRB rate which would result in a maximum home value of \$229,947 for a single-family dwelling and up to \$442,205 for a four dwelling unit.

As you are aware, economic development leaders frequently tell us that the lack of quality housing stock is an impediment to development across the state.

Passage of SB 382 will help to create new jobs in our state. First, by revising impediments in the current program, the state will be in a better position to partner with lenders and developers to boost the construction of affordable housing providing a new source of good paying construction jobs. Second, by improving our affordable housing stock we will place our state in a better position to attract new business and jobs.

Another strength of this program over the next fiscal year is that it will cost the State General Fund little. The linked deposit programs only cost us the amount by which they reduce our interest income which in most years is 2% below the market rates. However, at this time interest rates are so low that the reduction in interest earnings is minimal. Therefore, it makes sense to invest a part of our idle funds in housing construction incentives through Kansas banks rather than investing in instruments which would likely take the money out of Kansas.

Thank you for the opportunity to appear before you today. My office stands ready to work with you to improve the Housing Loan Deposit Program.



March 3, 2010

To: House Financial Institutions Committee

From: Doug Wareham, Kansas Bankers Association

**Re: SB 382: Housing Loan Deposit Program**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to provide comments in support of **SB 382**. This bill addresses shortcomings associated with the existing Kansas Housing Loan Deposit Program; a program established by the 2008 Legislature to incentivize home construction in areas of Kansas that were severely impacted by tornados and flooding in 2007.

KBA appreciates the efforts of Kansas State Treasurer Dennis McKinney to increase utilization of this program. Last fall, Treasurer McKinney hosted a stakeholders meeting to garner input from lenders, realtors and homebuilders concerning the problems with this program. **SB 382** is a product of that stakeholders meeting, and KBA is confident the changes proposed in this bill will increase utilization of the loan deposit program and will serve as an incentive for new home construction.

The program modifications proposed in **SB 382** will:

1. Increase utilization of the program by increasing the limit on the value of eligible housing.
2. Allow multi-family housing to become eligible for the program.
3. Allow lending institutions to make more than one loan to individual developers (the proposal does establish a \$2,000,000 limit for any one developer borrower).
4. Shortens the timeframe whereby 50% of the amount of funds available must be made available to specific disaster regions in southeast and south-central Kansas.

Kansas bankers have helped benefit agricultural customers for years through utilization of the Kansas Ag Link Loan Deposit Program, which is also administered by the Kansas State Treasurer's Office. KBA is confident that adoption of the changes proposed in **SB 382** will yield similar results for Kansas communities in need of additional housing units. Thank you for the opportunity to provide comments in support of **SB 382**.



Luke Bell  
Vice President of Governmental Affairs  
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To: House Financial Institutions Committee

Date: March 10, 2010

Subject: **SB 382** -- Improvements to the Kansas Housing Loan Deposit Program

Chairman Brown and members of the House Financial Institutions Committee, thank you for the opportunity to appear in front of you today on behalf of the Kansas Association of REALTORS® in support of **SB 382**. Through the comments expressed herein, it is our hope to provide additional legal and public policy context to the discussion on this issue.

KAR has faithfully represented the interests of the nearly 9,000 real estate professionals and over 700,000 homeowners in Kansas for the last 90 years. In conjunction with other organizations involved in the housing industry, the association seeks to increase housing opportunities in this state by increasing the availability of affordable and adequate housing for Kansas families.

Over the past several years, the credit crisis and the struggling economy have made it increasingly difficult for home builders and real estate developers in Kansas to obtain the necessary financing to provide new affordable housing opportunities for Kansas families. The availability of affordable development financing is extremely important to the overall stability of our state's economy and the housing market.

**SB 382** would make several improvements to the Kansas Housing Loan Deposit program that was established by the Kansas Legislature during the 2008 Legislative Session. In the absence of these important changes, many home builders and real estate developers in Kansas will be unable to take advantage of this innovative program, which is vitally important to the recovery and reinvigoration of the residential construction and housing industries in Kansas.

All of the requested changes to the Kansas Housing Loan Deposit Program in **SB 382** will help expand the availability of this program to more home builders and developers in Kansas. In turn, we believe that this will help create new affordable housing options for Kansas families and workers.

As the state moves forward with efforts to stimulate the Kansas economy and housing market, we hope that you will give special consideration to the unique role played by the housing and residential construction industries in the Kansas economy. Since more than one out of every five Kansas businesses are in the construction and housing industries, the Kansas economy cannot recover (much less thrive again) until the construction and housing industries recover.

For all the foregoing reasons, we would urge the House Financial Institutions Committee to strongly support the provisions of **SB 382**. Once again, thank you for the opportunity to provide comments on **SB 382** and I would be happy to respond to any of your individual questions at the appropriate time.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 3



March 10, 2010

Ashley Jones-Wisner  
Local Initiatives Support Corporation  
913-375-7264  
[www.lisc.org/KansasCity](http://www.lisc.org/KansasCity)

RE: Senate Bill 382

Mr. Chairman and Members of the Financial Institutions Committee,

I want to thank you for the opportunity to present written testimony. My name is Ashley Jones-Wisner and I am Director of State Policy at Greater Kansas City LISC. Greater Kansas City LISC is a program area of the Local Initiatives Support Corporation, the nation's largest community development organization, dedicated to revitalizing urban core and rural neighborhoods. Currently, Greater Kansas City LISC's signature program, NeighborhoodsNOW, serves three Kansas City, Kansas Neighborhoods: Douglass-Sumner, Downtown KCK and St. Peter/Waterway.

Greater Kansas City LISC started the Kansas Housing Policy Network about three years ago. Although it began with only a hand-full of individuals from across the state, it has grown to include over 400 members interested in the creation of community development tools. The Kansas Housing Policy Network includes representations from the Homebuilders, Realtors, Homeless Providers and Advocates, Community Development Corporations, and many other interested entities.

One of the greatest challenges we face as we work with residents to revitalize their neighborhoods is the number of vacant, abandoned or dilapidated houses and buildings in the community. No matter how much funding we put into these neighborhoods, individuals are less likely to move into neighborhoods if they have to live next to one of these poorly kept structures. Property values in the neighborhoods also suffer, which affects both existing and potential residents and businesses.

The Kansas Housing Loan Deposit Program has allowed banks across the state to provide incentives for housing construction development loans. Expanding the criteria of those eligible for this program to both single and multi family dwellings will allow more Kansas residents to access affordable workforce housing.

In almost all cases, community development corporations are the developers of last resort. Most of the areas serviced by nonprofits have had severe disinvestment over a prolonged period of time. Working in such disinvestment is hard, time-intensive work. Tools, such as this bill provides by expanding the eligibility criteria, will allow the work we do in these neighborhoods to move at a pace that will allow our programmatic and monetary resources to be used more efficiently.

We encourage you to support Senate Bill 382, for the purpose of ensuring safe, decent and affordable housing in Kansas communities.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 4





Matthew S. Goddard, Vice President

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Topeka, Kansas 66603  
Office (785) 232-8215 • Fax (785) 232-9320  
mgoddard@hcbankers.com

To: House Financial Institutions Committee  
From: Matthew Goddard  
Heartland Community Bankers Association  
Date: March 10, 2010  
Re: Senate Bill 382

The Heartland Community Bankers Association appreciates the opportunity to appear before the House Financial Institutions Committee to express our support for Senate Bill 382. The bill makes several important changes to the Housing Loan Deposit Program.

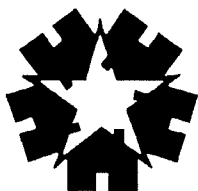
Under the Program, a participating bank or savings and loan accepts a program loan application from a developer and then, if approved under the lender's underwriting standards, applies to the State Treasurer for housing loan deposits. Upon approval, the Treasurer directs the Pooled Money Investment Board to deposit State monies in the amount of the loan in the financial institution at an interest rate which is two percentage points below the PMIB market rate. The interest rate on the loan to the developer cannot be more than four percentage points greater than the rate paid on the housing loan deposits. The State assumes no risk and is guaranteed a minimum return of .5 percent.

HCBA members have identified two primary problems with the current law. First, the price limit of 350 percent of the Kansas median household income for the previous year is limiting in areas of the state with high construction costs. Also, limiting the program to just one housing loan deposit loan per developer at any one time can make it difficult for communities to recruit out-of-town builders who find greater efficiency in building multiple residential homes at the same time.

Senate Bill 382 addresses both of these issues. For the purchase price, the bill allows the Treasurer to establish a price limit based on 80 percent of the average area purchase price safe harbor as determined by the IRS rules for mortgage revenue bond programs. That would increase the potential sale or appraised value of a single-family house in 2009 from \$165,694 under current law to \$229,947 using the mortgage revenue bond guidelines. Senate Bill 382 also eliminates the one loan per developer rule and instead limits developers to no more than \$2 million in outstanding loans. These changes bring the program more in line with what we see in other states.

The bill also ends the set aside for 2007's natural disaster areas six months early. Considering that the housing loan deposit program has thus far been underutilized, making 100 percent of the funds available statewide six months early should not have a negative effect on the 2007 disaster areas.

The Heartland Community Bankers Association respectfully requests the House Financial Institutions Committee recommend Senate Bill 382 favorable for passage.



**HOME BUILDERS ASSOCIATION  
OF GREATER KANSAS CITY**



600 EAST 103<sup>RD</sup> STREET • KANSAS CITY, MISSOURI 64131-4300 • (816) 942-8800 • FAX (816) 942-8367 • www.kchba.org

**Testimony on SB 382**  
**Phil Perry, Staff VP Government Affairs**  
**Home Builders Association of Greater Kansas City**  
**March 10, 2010**

Mr. Chairman and members of the committee, thank you for the opportunity to provide testimony concerning SB 382. The Home Builders Association of Greater Kansas City is pleased to support the proposed changes to the Kansas Housing Loan Deposit Program.

Last August, I was contacted by the Kansas State Treasurer's office and asked to attend a meeting concerning this program. At that meeting I was stunned to learn that this program had only loaned \$490,000.00 out of the \$60 million authorized in SB 387 during the 2008 legislative session. The question arose as to why the program had not been more successful considering the building climate since that time. The problem with the existing program concerned the limitations on loan size and the amount of loans available to developers. SB 382 addresses these problems in a very reasonable manner.

We feel that by increasing the maximum value of the house and tying it to the same index as the mortgage revenue bonds and allowing developers to have more than one loan, but limiting the overall total to \$2 million will make the program much more attractive to builders and developers throughout the state. These changes will enable the program to reach its stated goals: the creation of new and affordable housing for citizens of Kansas. As a result of the proposed changes, our members are already expressing an interest in this program. Our association would strongly urge you to restore the original wording in this bill and remove the 80% limitation, as we feel that this will provide an unnecessary limit on available funds.

During these rough times in the banking industry, it is our viewpoint that this program could be the needed kick start to the housing industry, an industry that contributes nearly 15% of the State GDP.

We actively encourage you to support the changes to the Housing Loan Deposit Program contained in SB 382 and would be glad to provide any additional information you might need.

*Do Business With A Member*

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 6



3521 SW 5th Street  
Topeka, KS 66606  
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785-357-5257 fax  
kmha1@sbcglobal.net

TO: Representative Anthony Brown, Chairman  
And Members of the  
House Financial Institutions Committee

FROM: Martha Neu Smith  
Executive Director

DATE: March 10, 2010

RE: SB 382 – Housing Loan Deposit Program

Chairman Brown and members of the Committee, my name is Martha Neu Smith and I am the Executive Director for Kansas Manufactured Housing Association (KMHA) and I appreciate the opportunity to provide written comments in support of SB 382 – Kansas State Treasurer's Housing Loan Deposit Program as amended.

KMHA is a statewide trade association, which represents all facets of the manufactured and modular housing industry including manufacturers, retail centers, community owners and operators, finance and insurance companies, service and supplier companies and transport companies.

In the fall of 2009, KMHA participated in State Treasurer Dennis McKinney's review of the existing Housing Loan Deposit program to see if there were any changes that could be made to make the program more relevant for the banking industry and the builder/developer of residential housing. The changes discussed are provided for in SB 382 which includes: expanding the program to multi-family housing; provide a better index in determining qualifying loans - the IRS requirement for purchases under the mortgage revenue bond program; increase the maximum limit per builder/developer to \$2 million and change the deadline for the target area.

KMHA supports these changes and would respectfully ask the Financial Institutions Committee's support of SB 382 – Housing Loan Deposit Program as amended.

Thank you.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 7



**STATEMENT OF KANSAS BUILDING INDUSTRY ASSOCIATION**

**TO THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE**

**REPRESENTATIVE ANTHONY BROWN, CHAIR**

**REGARDING S.B. 382**

**MARCH 10, 2010**

Mr. Chairman and Members of the Committee, I am Chris Wilson, Executive Director, of Kansas Building Industry Association (KBIA). KBIA is the trade and professional association of the residential construction industry in Kansas, with approximately 2300 member companies at large and in local home builders associations.

KBIA supports S.B. 382, which would make changes in the Housing Loan Deposit program to increase its usage and effectiveness. The Housing Loan Deposit Program was initially adopted by the Legislature in 2008 to provide qualified builders and developers in Kansas access to \$60 million in loans. As originally approved by the Legislature, \$30 million of the loan fund is available statewide, and \$30 million is designated for areas impacted by tornado and flooding damage in 2007, including the cities of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie. This bill changes the time in which funds are available for the designated areas from July 1, 2011 to December 31, 2010. As a result, the full loan fund would then be made available for affordable housing construction statewide beginning Fiscal Year 2012 (July 1, 2011). Passage of SB 382 will help to create new jobs in Kansas by removing impediments in the current program and by improving the affordable housing stock in Kansas.

The current program has been little used due to income limits and restrictions on loans per developer. The price limit of 350 percent of the Kansas median household income for the previous year is limiting in areas of the state with high construction costs, and limiting the program to just one housing loan deposit per developer at any one time can make it difficult for communities to recruit out-of-town builders who find greater efficiency in building multiple residential homes at the same time. He said this bill addresses both of these issues. In the absence of these improvements, many home builders and real estate developers in Kansas will be unable to take advantage of this innovative program which is important to the recovery and reinvigoration of the residential construction and housing industries in Kansas.

Thank you for your consideration of S.B. 382, and we ask that you report it favorably for passage.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 8

As Amended by Senate Committee

Session of 2010

SENATE BILL No. 415

By Committee on Financial Institutions and Insurance

1-21

10 AN ACT concerning certain municipalities; pertaining to investment in  
11 certain bonds; pertaining to investment of certain bond income;  
12 amending K.S.A. 10-131 and K.S.A. 2009 Supp. 10-1009 and 12-1675  
13 and repealing the existing sections.

14  
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 10-131 is hereby amended to read as follows: 10-  
17 131. (a) The governing body of any municipality, as defined in K.S.A. 10-  
18 101, and amendments thereto, which has issued or may issue bonds or  
19 temporary notes for any purpose, is hereby authorized and empowered  
20 to invest any portion of the proceeds of such bonds, notes or funds held  
21 pursuant to the resolution or ordinance authorizing the issuance of such  
22 bonds or notes, which is not currently needed, in: (1) Investments au-  
23 thorized by K.S.A. 12-1675, and amendments thereto, in the manner  
24 prescribed therein; (2) the municipal investment pool established pur-  
25 suant to K.S.A. 12-1677a, and amendments thereto; (3) direct obligations  
26 of the United States government or any agency thereof ~~or any obligation~~  
27 ~~unconditionally guaranteed by the United States government;~~ (4) the mu-  
28 nicipality's temporary notes issued pursuant to K.S.A. 10-123, and amend-  
29 ments thereto; (5) interest-bearing time deposits in commercial banks  
30 located in the county or counties in which the municipality is located; (6)  
31 subject to the limitations provided in subsection (b), obligations of the  
32 federal national mortgage association, federal home loan banks ~~or the~~  
33 ~~federal home loan mortgage corporation, the federal home loan mort-~~  
34 ~~gage corporation or the government national mortgage association;~~  
35 (7) repurchase agreements for securities described in (3) or (6); (8) in-  
36 vestment agreements with or other obligations of a financial institution  
37 the obligations of which at the time of investment are rated in either of  
38 the three highest rating categories by Moody's investors service or Stan-  
39 dard and Poor's corporation; (9) investments in shares or units of a money  
40 market fund or trust the portfolio of which is comprised entirely of se-  
41 curities described in (3) or (6); (10) receipts evidencing ownership inter-  
42 ests in securities or portions thereof described in (3) or (6); (11) municipal  
43 bonds or other obligations issued by any municipality of the state of Kan-

The list in (6) includes the same entities - different ordering, bill versions. Both bills would add GNMA's to the list of authorized investments.

As Amended by House Committee

Session of 2010

HOUSE BILL No. 2540

By Committee on Government Efficiency and Fiscal Oversight

1-26

10 AN ACT concerning municipal bonds; amending K.S.A. 10-131 and re-  
11 pealing the existing section.

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

14 Section 1. K.S.A. 10-131 is hereby amended to read as follows: 10-  
15 131. (a) The governing body of any municipality, as defined in K.S.A. 10-  
16 101, and amendments thereto, which has issued or may issue bonds or  
17 temporary notes for any purpose, is hereby authorized and empowered  
18 to invest any portion of the proceeds of such bonds, notes or funds held  
19 pursuant to the resolution or ordinance authorizing the issuance of such  
20 bonds or notes, which is not currently needed, in: (1) Investments au-  
21 thorized by K.S.A. 12-1675, and amendments thereto, in the manner  
22 prescribed therein; (2) the municipal investment pool established pur-  
23 suant to K.S.A. 12-1677a, and amendments thereto; (3) direct obligations  
24 of the United States government or any agency thereof *which are uncon-*  
25 *ditionally guaranteed by the United States government;* (4) the munici-  
26 pality's temporary notes issued pursuant to K.S.A. 10-123, and amend-  
27 ments thereto; (5) interest-bearing time deposits in commercial banks  
28 located in the county or counties in which the municipality is located; (6)  
29 subject to the limitations provided in subsection (b), obligations of the  
30 federal national mortgage association, *government national mortgage as-*  
31 *sociation,* federal home loan banks or the federal home loan mortgage  
32 corporation; (7) repurchase agreements for securities described in (3) or  
33 (6); (8) investment agreements with or other obligations of a financial  
34 institution the obligations of which at the time of investment are rated in  
35 either of the three highest rating categories by Moody's investors service  
36 or Standard and Poor's corporation; (9) investments in ~~shares or units of~~  
37 ~~a money market fund or trust the portfolio of which is comprised entirely~~  
38 ~~of securities described in (3) or (6) or (7);~~ (10) receipts evidencing own-  
39 ership interests in securities or portions thereof described in (3) or (6);  
40 (11) municipal bonds or other obligations issued by any municipality of  
41 the state of Kansas as defined in K.S.A. 10-1101, and amendments  
42 thereto, which are general obligations of the municipality issuing the  
43 same; or (12) bonds of any municipality of the state of Kansas as defined

SB 415 (SC am.) strikes language retained in HB 2540 - HB 2540 limits direct obligations in (3) to those which are unconditionally guaranteed by the U.S. gov't. HB 2540 also allows for the direct investment in money market funds (amendment in line 36). SC am. to HB 2540 restores language in l. 36.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 9-1

HC  
tech  
am.

1 sas as defined in K.S.A. 10-1101, and amendments thereto, which are  
 2 general obligations of the municipality issuing the same; or (12) bonds of  
 3 any municipality of the state of Kansas as defined in K.S.A. 10-1101, and  
 4 amendments thereto, which have been refunded in advance of their ma-  
 5 turity and are fully secured as to payment of principal and interest thereon  
 6 by deposit in trust, under escrow agreement with a bank, of securities  
 7 described in (3) or (6). The interest received on any such investment shall  
 8 upon receipt thereof be set aside and used for the purpose of paying  
 9 interest on the bonds or notes issued or used for paying the cost of the  
 10 project for which the bonds or notes were issued.

11 (b) No moneys authorized to be invested pursuant to subsection (a)  
 12 shall be invested in a derivative.

13 For the purposes of this section, "derivative" means any investment  
 14 instrument whose market price is derived from the fluctuating value of  
 15 an underlying asset, index, currency, futures contract, including futures,  
 16 options and collateralized mortgage obligations.

17 Sec. 2. K.S.A. 2009 Supp. 10-1009 is hereby amended to read as  
 18 follows: 10-1009. (a) The maximum stated rate of interest which may be  
 19 fixed on fixed-rate bonds issued by a municipality or taxing subdivision of  
 20 the state of Kansas shall be determined on the day the bonds are sold  
 21 and shall not exceed the daily yield for the ten-year treasury bonds pub-  
 22 lished by The Bond Buyer, in New York, New York, on the Monday next  
 23 preceding the day on which the bonds are sold, plus (1) three percent, if  
 24 the interest on the bonds is excluded from gross income for federal in-  
 25 come tax purposes or (2) four percent, if the interest on the bonds is  
 26 included in gross income for federal income tax purposes.

27 (b) The maximum stated rate of interest which may be fixed on var-  
 28 iable-rate bonds issued by a municipality or taxing subdivision of the state  
 29 of Kansas shall be determined on the date on which the rate is determined  
 30 in accordance with the resolution or ordinance of the issuer and shall not  
 31 exceed the daily yield for the ten-year treasury bonds published by The  
 32 Bond Buyer, in New York, New York, on the Monday next preceding  
 33 such date, plus (1) three percent, if the interest on the bonds is excluded  
 34 from gross income for federal income tax purposes or (2) four percent,  
 35 if the interest on the bonds is included in gross income for federal income  
 36 tax purposes.

37 (c) Except as provided for variable rate bonds, the maximum rate of  
 38 interest specified in this section shall be applicable to bonds issued after  
 39 the effective date of this act. The maximum rate of interest on variable  
 40 rate bonds issued prior to the effective date of this act shall be the higher  
 41 of (1) the maximum rate of interest specified by subsection (a) or (b) of  
 42 this section, as in effect prior to the effective date of this act, (2) the  
 43 maximum rate of interest specified in this section or (3) the rate for such

1 in K.S.A. 10-1101, and amendments thereto, which have been refunded  
 2 in advance of their maturity and are fully secured as to payment of prin-  
 3 cipal and interest thereon by deposit in trust, under escrow agreement  
 4 with a bank, of securities described in (3) or (6). The interest received on  
 5 any such investment shall upon receipt thereof be set aside and used for  
 6 the purpose of paying interest on the bonds or notes issued or used for  
 7 paying the cost of the project for which the bonds or notes were issued.

8 (b) No moneys authorized to be invested pursuant to subsection (a)  
 9 shall be invested in a derivative.

10 For the purposes of this section, "derivative" means any investment  
 11 instrument whose market price is derived from the fluctuating value of  
 12 an underlying asset, index, currency, futures contract, including futures,  
 13 options and collateralized mortgage obligations.

14 Sec. 2. K.S.A. 10-131 is hereby repealed.

15 Sec. 3. This act shall take effect and be in force from and after its  
 16 publication in the statute book.

HB 2540 does not make amendments to revenue bond law or the authorization for the investment in general obligation bonds of Kansas municipalities (investment subject to requirements for the investment of idle funds). See sections 2, 3 of SB 415 (SC version).

1 variable rate bonds specified in the documents authorizing the issuance  
2 thereof.

3 (d) Notwithstanding the foregoing, for the period from the effective  
4 date of this act until and including June 30, ~~2010~~ 2012, the maximum  
5 stated rate of interest which may be fixed on fixed-rate or variable-rate  
6 bonds issued by a municipality or taxing subdivision of the state of Kansas  
7 shall be determined on the day the bonds are sold and shall not exceed  
8 the daily yield for the ten-year treasury bonds published by The Bond  
9 Buyer, in New York, New York, on the Monday next preceding the day  
10 on which the bonds are sold, plus (1) ~~5%~~ 6%, if the interest on the bonds  
11 is excluded from gross income for federal income tax purposes or (2) 6%  
12 7%, if the interest on the bonds is included in gross income for federal  
13 income tax purposes.

14 Sec. 3. K.S.A. 2009 Supp. 12-1675 is hereby amended to read as  
15 follows: 12-1675. (a) The governing body of any county, city, township,  
16 school district, area vocational-technical school, community college, fire-  
17 men's relief association, community mental health center, community fa-  
18 cility for the mentally retarded or any other governmental entity, unit or  
19 subdivision in the state of Kansas having authority to receive, hold and  
20 expend public moneys or funds may invest any moneys which are not  
21 immediately required for the purposes for which the moneys were col-  
22 lected or received, and the investment of which is not subject to or reg-  
23 ulated by any other 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

1 investing governmental unit is willing to enter into such an agreem  
2 with the investing governmental unit at an interest rate equal to or grea  
3 than the investment rate, as defined in subsection (g) of K.S.A. 12-167  
4 and amendments thereto, then such repurchase agreements may be  
5 tered into with banks, savings and loan associations or savings banks wh  
6 have main or branch offices in the county or counties in which all or p  
7 of such investing governmental unit is located; or (C) if no bank, savi  
8 and loan association or savings bank, having a main or branch office  
9 such county or counties is willing to enter into such an agreement w  
10 the investing governmental unit at an interest rate equal to or grea  
11 than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a,  
12 and amendments thereto, then such repurchase agreements may be en-  
13 tered into with banks, savings and loan associations or savings banks lo-  
14 cated within this state;

15 (4) in United States treasury bills or notes with maturities as the gov-  
16 erning body shall determine, but not exceeding two years. Such invest-  
17 ment transactions shall only be conducted with banks, savings and loan  
18 associations and savings banks; the federal reserve bank of Kansas City,  
19 Missouri; or with primary government securities dealers which report to  
20 the market report division of the federal reserve bank of New York, or  
21 any broker-dealer engaged in the business of selling government securi-  
22 ties which is registered in compliance with the requirements of section  
23 15 or 15C of the securities exchange act of 1934 and registered pursuant  
24 to K.S.A. 17-12a401, and amendments thereto;

25 (5) in the municipal investment pool fund established in K.S.A. 12-  
26 1677a, and amendments thereto;

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

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

42 (8) *municipal bonds or other obligations issued by any municipality*  
43 *of the state of Kansas as defined in K.S.A. 10-1101, and amendments*

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 9-3

1 *thereto, which are general obligations of the municipality issuing the*  
2 *same.*

3 (c) The investments authorized in paragraphs (4), (5), (6) ~~or (7)~~, (7)  
4 ~~or (8)~~ of subsection (b) shall be utilized only if the banks, savings and  
5 loan associations and savings banks eligible for investments authorized in  
6 paragraph (2) of subsection (b), cannot or will not make the investments  
7 authorized in paragraph (2) of subsection (b) available to the investing  
8 governmental unit at interest rates equal to or greater than the investment  
9 rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments  
10 thereto.

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

28 (e) (1) All security purchases and repurchase agreements shall occur  
29 on a delivery versus payment basis.

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

34 (f) Public moneys deposited pursuant to subsection (b)(2) of K.S.A.  
35 12-1675, and amendments thereto, by the governing body of any govern-  
36 mental unit listed in subsection (a) of K.S.A. 12-1675, and amendments  
37 thereto, through a selected bank, savings and loan association or savings  
38 bank which is part of a reciprocal deposit program in which the bank,  
39 savings and loan association or savings bank:

40 (1) Receives reciprocal deposits from other participating institutions  
41 located in the United States in an amount equal to the amount of funds  
42 deposited by the municipal corporation or quasi-municipal corporation;  
43 and

1 (2) for which the total cumulative amount of each deposit does  
2 exceed the maximum deposit insurance amount for one depositor at  
3 financial institution as determined by the federal deposit insura-  
4 corporation.

5 Such deposits shall not be treated as securities and need not be secu-  
6 as provided in this or any other act.

7 Sec. 4. K.S.A. 10-131 and K.S.A. 2009 Supp. 10-1009 and 12-1  
8 are hereby repealed.

9 Sec. 5. This act shall take effect and be in force from and afte  
10 publication in the statute book.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 9-4





Date: March 10, 2010

To: House Committee on Financial Institutions

From: Larry R. Baer  
Assistant General Counsel

Re: SB 415  
Testimony in Support

Thank you for allowing me to appear before you today and present testimony in support of SB 415 on behalf of the League of Kansas Municipalities and its member cities.

SB 415, as amended, makes changes to three provisions in current law. Section 1 amends K.S.A. 10-131 to allow cities, and others, who issue bonds under general Kansas bond law, to invest in "federal home loan mortgage corporation or the government national mortgage association", in addition to the other forms of investments now permitted by K.S.A. 10-131(a).

Section 3 amends K.S.A. 2009 Supp. 12-1675 to allow an additional form of investment to cities, and others, for the investment of idle funds – moneys not yet needed for the purposes for which they were collected. The new form of authorized investment would be "municipal bonds or other obligations issued by any municipality of the state of Kansas ... which are general obligation bonds of the municipality issuing the same".

The changes proposed in sections 1 and 3 of SB 415 are permissive and provide more flexibility to a city when considering where and how to invest idle funds. A city can choose whether or not to take advantage of the changes contained in the bill. As always, the choice remains a local option and a policy decision to be made by local elected officials.

Section 2 also deals with bond issuances. But, it has a different impact on the issuing of bonds. Prior to 2009, the maximum interest rate on bonds issued by a municipality or local taxing subdivision could not exceed the daily yield for ten-year U.S. treasury bonds, plus 3.0 percent if the interest is not taxable or 4.0 percent if it is taxable. Because the ten-year U.S. treasury rate had dropped to historical lows, the 2009 Legislature amended this to be 5.0 and 6.0 percent, respectively, and provided that the 2009 rates would expire on June 30, 2010 and that the pre-2009 rates would again apply. This was done to help assure that cities and other bond issuing entities would receive bids on bond sales. Because of continuing declines in the yield rate on U.S. treasury bonds it is felt that the maximum rate must be maintained and, thus, SB 415 extends the rate change to June 30, 2012 and raises the rates to 6.0 and 7.0 percent respectively.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 10 - 1

SB 415 would give municipalities and other taxing subdivisions of the state greater flexibility to issue bonds with an interest rate that is high enough to ensure that the bonds are sold on the open market. With historic low daily yields for ten-year treasury bonds, local taxing subdivisions may find it difficult to find buyers of bonds at the maximum interest rates allowed under current law, notwithstanding the changes made a year ago.

For these reasons the League of Kansas Municipalities supports SB 415 and asks for your support and that you pass it out favorably.

Thank you.

**Doug Mays & Associates, LLC**  
**Kansas Governmental Affairs**

[dougmay@KsCapitol.com](mailto:dougmay@KsCapitol.com)

**Doug Mays**

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The Honorable Anthony Brown, Chair  
And Members of the Senate Financial Institutions Committee  
Statehouse, Room 152-S  
Topeka, Kansas

Re: Senate Bill 415

Chairman Brown and members of the committee:

My name is Doug Mays. I represent the City of Olathe which requests your approval of Senate Bill 415. This bill would simply do 3 things:

1. It would allow governmental entities to invest their bond proceeds in obligations guaranteed by the United States government (GNMAs).
2. It would extend until June 30, 2012 the higher caps on interest rates for municipal bonds.
3. It would allow, with some limitations, governmental entities to invest idle funds in general obligations issued by other Kansas governmental.

Changes #1 and #3 would allow governmental jurisdictions the ability to earn a little higher rate of return on their bond proceeds and idle funds. This would help local jurisdictions in these difficult economic times

Change #2 would continue the higher interest rate cap, which is helpful since we now have certain categories of taxable bonds under federal tax law (e.g. Build America Bonds and Recovery Zone Bonds).

Thank you for your consideration.

Sincerely,



Doug Mays

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 11



**Date:** March 10, 2010

**To:** House Financial Institutions Committee

**From:** Doug Wareham, Senior Vice President-Government Relations

**Re:** Support for S.B. 415 – (Bond Proceeds/Idle Funds Investments)

Chairman Brown and members of the House Financial Institutions Committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). KBA's membership includes 320 Kansas banks that provide financial services in 440 towns and cities across the state. Thank you for the opportunity to appear in support of S.B. 415.

I would like to begin by stating that we appreciate being able to work with the other proponents of this bill to address concerns we had when the bill was initially considered by the Senate Financial Institutions and Insurance Committee. I'm happy to report that amendments adopted by the Senate have eliminated our concerns and we are now able to lend our full support for S.B. 415.

S.B. 415 provides greater flexibility to local units of government when investing bond proceeds or idle funds. The bill specifically authorizes:

1. Investments for bond proceeds to include the Government National Mortgage Association.
2. Investment of idle funds in general obligation bonds of any Kansas municipality once the statutory requirements of K.S.A. 12-1675a have been satisfied.

In the spirit of providing greater flexibility for local units of government with respect to the investment of idle funds, we would respectfully ask the committee to consider adopting the balloon amendment attached to our statement. KBA was recently notified by the Promontory Interfinancial Network of a new Insured Cash Sweep (ICS) service that participating banks will soon be offering to individuals, businesses and local government units. **The amendment we have presented for your consideration will simply allow all government entities and subdivisions in Kansas to take advantage of this new deposit placement service which allows funds to be deposited into interest-bearing savings accounts.** The program is strictly voluntary and adoption of the balloon amendment we have proposed will simply provide local units of government with another option for maximizing FDIC insurance coverage when investing idle public funds.

Mr. Lance Caldwell, Regional Director, with Promontory Interfinancial Network is present today, and can answer any questions you might have regarding the new Insured Cash Sweep service. Many of you will recall that Mr. Caldwell appeared before this committee last year when you considered H.B. 2185, which enabled local government agencies to place public funds in certificates of deposit through a Certificate of Deposit Account Registry Service (CDARS), a reciprocal deposit program administered by Promontory Interfinancial Network, LLC. H.B. 2185, which enabled local government units to utilize Promontory Interfinancial Network's certificates of deposit service, was adopted 122 to 1 in the Kansas House and 39 to 0 in the Kansas Senate. The balloon amendment before you would simply authorize local government units to also utilize the Promontory Interfinancial Network's Insured Cash Sweep's service.

Once again, thank you for the opportunity to provide comments in support of S.B. 415, and we hope the committee will look favorably upon the balloon amendment we have presented when action is taken on this bill. I would be happy to stand for questions now or at the appropriate time.

1 variable rate bonds specified in the documents authorizing the issuance  
2 thereof.

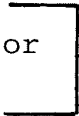
3 (d) Notwithstanding the foregoing, for the period from the effective  
4 date of this act until and including June 30, ~~2010~~ 2012, the maximum  
5 stated rate of interest which may be fixed on fixed-rate or variable-rate  
6 bonds issued by a municipality or taxing subdivision of the state of Kansas  
7 shall be determined on the day the bonds are sold and shall not exceed  
8 the daily yield for the ten-year treasury bonds published by The Bond  
9 Buyer, in New York, New York, on the Monday next preceding the day  
10 on which the bonds are sold, plus (1) ~~5%~~ 6%, if the interest on the bonds  
11 is excluded from gross income for federal income tax purposes or (2) ~~6%~~  
12 7%, if the interest on the bonds is included in gross income for federal  
13 income tax purposes.

14 Sec. 3. K.S.A. 2009 Supp. 12-1675 is hereby amended to read as  
15 follows: 12-1675. (a) The governing body of any county, city, township,  
16 school district, area vocational-technical school, community college, fire-  
17 men’s relief association, community mental health center, community fa-  
18 cility for the mentally retarded or any other governmental entity, unit or  
19 subdivision in the state of Kansas having authority to receive, hold and  
20 expend public moneys or funds may invest any moneys which are not  
21 immediately required for the purposes for which the moneys were col-  
22 lected or received, and the investment of which is not subject to or reg-  
23 ulated by any other 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;

in savings deposits, or



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

**Date:** March 10, 2010

**To:** House Financial Institutions Committee

**From:** Lance Caldwell, Regional Director

**Re:** Support for S.B. 415 – (Bond Proceeds/Idle Funds Investments)

T 703-292-3400

F 703-528-5700

www.promnetwork.com

Chairman Brown and members of the House Financial Institutions Committee, I am Lance Caldwell appearing on behalf of Promontory Interfinancial Network, LLC (PIN). PIN's membership includes 90 Kansas banks that utilize our balance sheet management solutions. Thank you for the opportunity to appear in support of S.B. 415.

The balloon amendment to K.S.A. 12-1675(b)(2) proposed by the Kansas Bankers Association (KBA) is intended to build on the success of 2009 amendments that enable government bodies in the State to purchase certificates of deposit through the Certificate of Deposit Account Registry Service, or CDARS. Through CDARS Kansas public entities, working with a local Kansas bank, are able to obtain CDs that are issued by banks throughout the United States and are eligible for full FDIC insurance. In addition, the amount of the public funds placed through CDARS (up to \$50 million, or more) is matched by deposits into the local bank placed on behalf of customers of other CDARS participating institutions. The net effect is that the amount of the public deposit will be available to the local bank for lending to individuals and businesses in the immediate community. CDARS has been very popular with Kansas public entities, such that more than two billion dollars of public funds have been placed through CDARS by public entities in Kansas.

The purpose of the balloon amendment is to assure that all government entities and subdivisions in Kansas will be able to take advantage of a new deposit placement service that is currently under development and expected to be operational by early this spring. This service, to be known as the Insured Cash Sweep (ICS), will make it possible for a government depositor's funds to be redeposited--or swept--from accounts at a local institution into interest-bearing savings accounts at multiple banks throughout the country in amounts that are less than the standard FDIC insurance maximum. Equally important, the local institution will receive matching deposits from customers of other institutions equal to the full amount of the government's funds swept into savings deposit accounts at other banks through ICS. As with CDARS, the full amount of a government's deposits placed through ICS will in effect remain in the local bank and will be available for lending in the community.

The 2009 amendments to the Kansas statutes referred to in the first paragraph above are worded in such a way as to enable municipal corporations, quasi-municipal corporations and the State to take advantage of the new ICS service, so that their public funds can be deposited through Kansas institutions not only into certificates of deposit, but also into savings accounts at multiple banks throughout the country in amounts that are less than the standard FDIC insurance

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 13-1

maximum. However, the provision of the 2009 amendments applicable various other government subdivisions in Kansas would authorize the redeposit of their funds only into "time deposit, open accounts, certificates of deposit or time certificates of deposit". In order for these government subdivisions to take advantage of ICS by the redeposit of their funds into savings accounts, it is necessary to amend K.S.A. 2008 Supp. 12-1675(b)(2) by adding "savings accounts" to the categories of accounts into which the government funds may be deposited.

Once again, thank you for the opportunity to provide comments in support of S.B. 415, and I hope the committee will look favorably upon the balloon amendment the KBA has presented when action is taken on this bill. I would be happy to stand for questions now or at the appropriate time.





INSURED CASH SWEEP

Through Promontory's new ICS<sup>SM</sup>, or Insured Cash Sweep<sup>SM</sup>, service, banks can offer business (and retail) customers a liquid sweep account with access to **multi-million-dollar FDIC insurance**, and they can keep the full amount of deposits on balance sheet, if desired. Through ICS, funds will be swept from a transaction account at the relationship institution into interest-bearing MMDAs at multiple banks. Importantly, each bank can set the rates it offers and maintain full control over its customer relationships.

Promontory is offering ICS to banks at an annualized rate of just **10 basis points** for reciprocal funding and will waive the implementation fee through the end of 2010. No long-term contracts are required. No exclusivity either. The new service is scheduled to launch in May.

### Why ICS<sup>SM</sup>?

Beyond offering a sweep account with access to multi-million-dollar FDIC insurance, ICS will enable participating banks to **receive matching deposits for their placements** – reciprocal funding to help fund the asset side of the balance sheet.\*

#### Reciprocal Funding



\* Alternatively, participating banks can effectively take funds off balance sheet by selling excess deposits (in exchange for fee income) to Promontory Network members that need funding. They can also purchase wholesale funding from Promontory Network members and can do so without collateralization or stock purchase requirements.

### How will ICS work?

The ICS service will:

- Allow for next-day settlement or, for manual transactions before 11:00 am ET, same-day settlement.
- Provide an application that will calculate interest accruals on rates that they choose for their customers.
- Provide data feeds and reporting to help support institutions in fulfilling their internal reporting requirements.
- Provide that each of a bank customer's existing CDARS placements and exclusions can be automatically applied when funds are placed through ICS, and vice versa.
- Be crafted by Promontory, a company trusted by more than 3,000 financial institutions.



# INSURED CASH SWEEP

Using ICS, each business day, Promontory Network members may sweep a customer's deposits out of their institution and into other member banks in amounts that are less than the standard FDIC insurance maximum. This process makes the customer's funds eligible for full FDIC protection.

Customers will communicate with a participating bank's service team and receive monthly statements from that bank. And, as always, customers' confidential information will be protected.

ICS target audiences include:

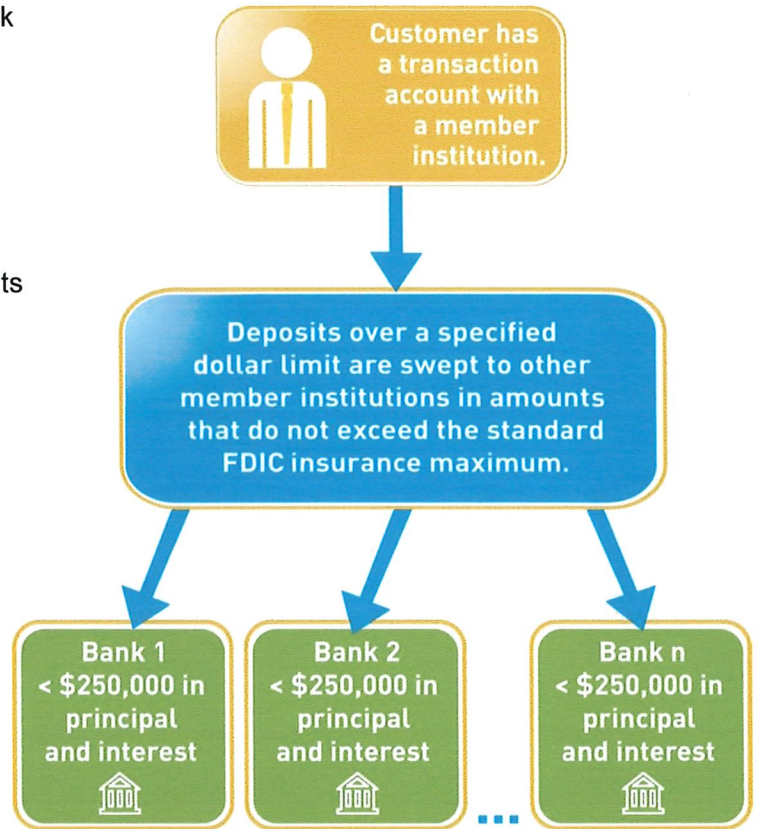
- Public Funds
- Businesses of all types
- Non-profits
- Large-dollar individual depositors

To learn more, please contact:

**Lance Caldwell**  
 Regional Director  
 866.776.6426 (x3487)  
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 Business Development Advisor/  
 Treasury Desk Representative  
 866.776.6426 (x3341)  
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HOUSE FINANCIAL INSTITUTIONS  
 DATE: 3/10/2010  
 ATTACHMENT: 13-4

Johnson County Treasurer  
**TESTIMONY**

Olathe, Kansas  
Olathe, Kansas Committee on Financial Institutions

Senate Bill No. 424

March 10, 2010

Representative Anthony R. Brown, Chairman and members of the Committee on Financial Institutions, my name is Charles M. Letcher, Treasurer of Johnson County and I thank you for the opportunity to testify on behalf of Johnson County in favor of Senate Bill No. 424. We support this measure to change the term "check" to "payment instrument" and to add language for rejected or reversed credit or debit card payments. These revisions will add clarity to the existing statute thus standardizing and expanding the types of items certified to the sheriff by the treasurer in their efforts to recover revenue through the enforcement of motor vehicle laws.

Currently, the term "check" is not defined in K.S.A. 8-145b to include other payment types such as electronic checks or wire transfers. By changing the term "check" to "payment instrument" within the statute, we can specifically address these and other types of payment activities based on the meaning ascribed to "payment instrument" in K.S.A. 9-508. This definition states: *"payment instrument" means any electronic or written check, draft, money order, travelers check or other electronic or written instrument or order for the transmission or payment of money, sold or issued to one or more persons, whether or not such instrument is negotiable. The term "payment instrument" does not include any credit card voucher, any letter of credit or any instrument which is redeemable by the issuer in goods or services.* The change in language will allow the treasurer to certify to the sheriff the name and address of the person responsible along with the registration number and description of the vehicle. This will provide the sheriff with the legal authority to pursue collection of insufficient or no-fund payments regardless of whether the transaction was done as an electronic or written instrument since these payment types will be clearly defined in the statute. For these reasons, Johnson County supports SB 424.

In conclusion, the Johnson County Treasurer's Department respectfully requests that this legislation be advanced from this committee for further action. Thank you for your attention and I will be happy to stand for questions.

HOUSE FINANCIAL INSTITUTIONS  
DATE: 3/10/2010  
ATTACHMENT: 14