SESSION OF 2008

SUPPLEMENTAL NOTE ON SENATE BILL NO. 472

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 472 would amend the law governing the investments of the Pooled Money Investment Board (PMIB) to allow the PMIB director to invest in corporate bonds which have received one of the two highest credit ratings by a nationally recognized investment rating firm.

Background

The bill was introduced at the request of the Pooled Money Investment Board. The Director of Investments indicated that the addition of highly rated corporate bonds allows PMIB to improve the return on state moneys by an estimated $300,000 annually while diversifying its commercial securities holdings by investment type and maturity. The Director noted that PMIB has experience with the corporate bond market as the portfolio manager for the Health Care Stabilization Fund and advisor to the Kansas Department of Transportation as its purchases, manages, and recommends corporate bonds for these agencies. The Director concluded his testimony by stating that the bill is sound policy that increases state revenue with minimum risk.

The fiscal note prepared by the Division of the Budget states that the Pooled Money Investment Board estimates an increase of $300,000 in interest revenue for the State General Fund in FY 2009 with the enactment of the bill. Those state funds that retain their interest earnings, the fiscal note continues, also would benefit from slightly higher earnings (no

————————————

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org estimate was provided for these funds). PMIB's revenue projections for the bill reflect reinvestment of $120.0 million (10 percent of the PMIB's current holdings in commercial paper) in corporate bonds with an average increase in yield of 25 basis points. The PMIB also indicates that the bill can be implemented within its current operating and staffing levels. Any fiscal effect associated with the bill is not accounted for in *The FY 2009 Governor's Budget Report*.