



900 SW JACKSON ST., STE 201
TOPEKA KS 66612-1235

Steven Johnson
KANSAS STATE TREASURER

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

PROPONENT TESTIMONY ON HOUSE BILL 2152

**Presented to the Senate Committee on Financial Institutions & Insurance
By Kansas State Treasurer Steven Johnson**

February 13, 2025

Thank you, Madam Chair and members of the committee. I am Steven Johnson, Treasurer for the State of Kansas and in that position serve as a member of the Pooled Money Investment Board.

The Pooled Money Board is the entity that manages the cash we have in the state to make sure we are able to pay our bills when due and earn what we can on those funds while they are in our possession. In serving that mission, the acronym "SLY" (Safety, Liquidity, Yield) describes the key investment considerations and their priority.

Risk management is always foremost for fiduciaries in handling state moneys. Pooled money funds can be invested in secure investments like US Treasury and Agency notes. For bank deposits, we require that all deposits be collateralized or backed by securities or letters of credit. Setting risk management parameters is an important part of our role as fiduciaries. The return of our money is foremost and therefore is first in the line of consideration.

Liquidity needs are also paramount. Once we know where we can safely place funds, we can look at the terms available and match them to our payment requirements. While many of our state bills have known amounts and timing, making sure there is always enough money in the bank to meet the cash flow of the day is a responsibility shared by the Fiscal Division of the State Treasurer's Office.

While yield is often the most talked about, it is the least of these considerations. Nonetheless, within the above two parameters, we seek to maximize the yield on our investments to the benefit of Kansas taxpayers.

House Bill 2152 proposes some changes, some of which affect the handling of state funds and functions performed by the Treasurer's office. Some of those changes include:

Establishing a Collateral Pool

Looking at ways we can manage risk more effectively is perhaps one of the bigger positive changes we can make for the state. Looking at what other states have done, I am encouraged that we can manage risks more efficiently through a pool. In the treasurer's office, I would look forward to working with our local government partners and Kansas banks to build our collateral pool. We appreciate latitude in developing the pool as we will continue to learn more as we work together to best achieve objectives for all stakeholders in the state.

Changing the PMIB CD Program Rate

While our fiduciary duty is to maximize return under the risk and liquidity constraints, this bill would allow the PMIB board flexibility in determining the rate for bank CD's. Currently statute sets the CD rate at the highest rate we can achieve with the state funds, which is the commercial paper rate. Since we require CD's to be fully collateralized, the risk might be more similar to the treasury and agency notes we purchase. This bill would provide the ability to adjust the rate to better reflect the risk they present. We will look at the best short and long-term solution for all parties and continue to study the CD rates to achieve the objectives laid out by the legislature.

Thank you for the chance to testify on HB 2152 and I am happy to stand for questions as directed by the Chair.