



The Best Place to Bank and Borrow

Date: March 13, 2025

To: Senate Committee on Financial Institutions & Insurance
Senator Brenda Dietrich, Chair

From: Mark Schifferdecker, Chairman, President & CEO
GNBank, N.A., Girard

Re: Sub HB 2152 Written Proponent Testimony

Madam Chairman and Committee Members, I am Mark Schifferdecker, Chairman, President & CEO of GNBANK in Girard, Kansas providing testimony on behalf of the Bank but also as Past Chairman of the Kansas Bankers Association Board of Directors. GNBANK is a family-owned institution serving Kansas since 1918 across 13 communities in Kansas and two in Southeastern Colorado. We are proud of our long 100+ year history in serving our communities and I have had the honor of leading the bank since 2003.

Thank you for scheduling this hearing continuing the conversation over the last year on the proposal to establish a centralized pooled collateral program for public funds and other public funds investment modernizations. The pooled collateral program is the first step in the modernization efforts and holds strong implications for the efficiency and safeguarding of public funds across counties, cities, and all governmental entities. Furthermore, it promises to catalyze increased investment directly in our local communities. The mutual partnership between public and private sectors supports the prosperity of Kansas communities, and GNBANK takes great pride in collaborating with over 40 such entities, including cities, school districts, county hospitals, county treasurers, watershed districts, and more.

Currently, for a Kansas bank to secure a public deposit, it requires pledging investment securities or a FHLBank letter of credit for each individual deposit equivalent to the deposit amount minus \$250,000 because of FDIC insurance. For instance, consider a scenario where a local city or county seeks to deposit \$1,000,000 with GNBANK; the bank would be required to pledge securities of \$750,000 or more, with more always being the case to ensure those deposits are safe and sound, as well as to allow for fluctuations in account balances. This cumbersome process, compounded by the requirement for individual pledging on a case-by-case basis, poses challenges. This not only ties up significant capital but also restricts lending opportunities within our communities.



To illustrate, I have provided an example below, showcasing 12 municipalities (names removed) with which we are currently engaged. This serves to demonstrate how the inefficiencies of the current system can lead to over-pledging. Remarkably, this example represents only 25% of the total amount of public funds or the number of units we are presently working with, yet it still accounts for an excess of \$4.7 million in over-pledged capital. This capital could be redirected to community development projects across the state.

(BR 1)	<u>Municipality</u>	<u>Total Deposits</u>	<u>Deposits less \$250k</u>	<u>Securities Pledged (MV)</u>	<u>FHLB Letter of Credit</u>	<u>Over (under)</u>
	1	380,643.08	130,643.08	916,132.81		785,489.73
	2	5,577,275.88	5,327,275.88	6,237,753.91		910,478.05
	3	301,778.42	51,778.42	222,462.33		170,683.91
	4	1,256,174.75	1,006,174.75	1,045,234.38		939,059.63
	5	2,571,494.76	2,321,494.76	2,539,492.29		217,997.53
	6	351,173.64	101,173.64	778,093.75		676,920.11
	7	649,387.67	399,387.67	525,475.78		126,088.11
	8	329,112.72	79,112.72	503,187.11		424,074.39
	9	1,532,006.78	1,282,006.78	1,662,765.92		380,759.14
	10	284,166.98	34,166.98	109,751.25		75,584.27
	11	496,771.77	246,771.77	273,099.82		26,328.05
	12	3,839,687.40	3,589,687.40	3,635,725.24		46,037.84
	Location Totals	17,569,673.83	10,699,047.68	19,349,174.59	-	4,779,500.76

It is noteworthy that neighboring states have successfully implemented similar pooled collateral programs. Colorado, where we have a presence and actively participate, has the Public Deposit Protection Act (PDPA) overseen by the Colorado Division of Banking. Likewise, Nebraska operates the Single Bank Pooled Collateral Program, under the purview of the Nebraska Department of Banking & Finance. These programs have been a great success for both the banks and the governing units utilizing them.

In conclusion, the ability to streamline the existing system, unlock capital, uphold safety standards, and foster localized investment stresses the importance of the proposed changes in Sub HB 2152. It is a big step towards strengthening our communities and boosting economic growth across the state.

Madam Chair and Committee, thank you for your time today. If you or the committee have questions or require additional information, don't hesitate to contact me at marks@gn-bank.com or (620) 724-8223.

Sincerely,



Mark Schifferdecker
President & CEO