

Substitute for HOUSE BILL No. 2152

By Committee on Financial Institutions and Pensions

3-4

1 AN ACT concerning public moneys; relating to the deposit and investment
2 thereof; mandating ~~financial institutions designated as public~~
3 ~~depositories~~ **banks, savings and loan associations and savings banks**
4 to secure governmental unit deposits in excess of the amount insured or
5 guaranteed by the federal deposit insurance corporation by utilizing ~~a~~
6 **the** public moneys pooled method ~~of securities~~; directing the state
7 treasurer to establish procedures therefor; requiring financial
8 institutions to make certain reports upon the request of a governmental
9 unit; prohibiting investment advisers that execute bids for the
10 investment of public moneys from engaging in a principal transaction
11 with a governmental unit directly related to such public moneys;
12 allowing governmental unit deposits to be invested in a financial
13 institution at a rate agreed upon by the governmental unit and the
14 financial institution; requiring certification from governmental units
15 that deposits in the municipal investment pool fund were first offered to
16 a bank, savings and loan association or savings bank in the preceding
17 year; allowing eligible financial institutions to file a complaint with the
18 state treasurer upon the failure of a governmental unit to comply with
19 certain requirements; establishing the investment rate for the pooled
20 money investment board bank certificate of deposit program; amending
21 K.S.A. 9-1402, 12-1675, 12-1677a and 12-1677b and K.S.A. 2024
22 Supp. 75-4237 and repealing the existing sections.

23

24 *Be it enacted by the Legislature of the State of Kansas:*

25 New Section 1. (a) For purposes of sections 1 through 3, and
26 amendments thereto:

27 (1) "Administrator" means the treasurer or the treasurer's designee.

28 (2) "Governmental unit" means the state or any county, municipality
29 or other political subdivision thereof.

30 (3) "Public moneys" means the same as defined in K.S.A. 9-701, and
31 amendments thereto.

32 (4) "Public moneys pooled method" or "pool of securities" means
33 shares of investment companies registered under the federal investment
34 company act of 1940 when the investment companies' assets are limited to
35 obligations that are eligible for investment by the bank, savings and loan
36 association or savings bank and limited by their prospectuses to owning

1 securities enumerated in K.S.A. 9-1402(c), and amendments thereto.

2 (5) "Treasurer" means the state treasurer.

3 (b) A bank, savings and loan association or savings bank designated
4 as a public depository shall secure the deposit of public moneys in excess
5 of the amount insured or guaranteed by the federal deposit insurance
6 corporation pursuant to K.S.A. 9-1402 and 12-1675, and amendments
7 thereto, by the public moneys pooled method. A bank, savings and loan
8 association or savings bank designated as a public depository shall secure
9 the deposits of one or more governmental units by depositing, pledging or
10 granting a security interest in a pool of securities to secure the repayment
11 of all public moneys deposited in such bank, savings and loan association
12 or savings bank by such governmental units and not otherwise secured
13 pursuant to law, if at all times the aggregate market value on such pool of
14 securities so deposited, pledged or in which a security interest is granted is
15 equal to at least 102% of the amount on deposit that is in excess of the
16 amount so insured or guaranteed. Each such bank, savings and loan
17 association or savings bank shall carry on such bank's or association's
18 accounting records a general ledger or other appropriate accounting of the
19 total amount of all public moneys to be secured by the pool of securities as
20 determined at the opening of each business day and the aggregate market
21 value of the pool of securities deposited, pledged or in which a security
22 interest is granted to secure such public moneys.

23 (c) The treasurer may serve as the administrator with respect to a
24 public moneys pooled method or may designate a bank, savings and loan
25 association, savings bank, trust company or other qualified firm,
26 corporation or association that is authorized to transact business in this
27 state to serve as the administrator. The administrator shall not accept
28 public deposits from a governmental unit while administering the public
29 moneys pooled method pursuant to this section. The administrator shall
30 submit a formal conflict of interest document in a manner prescribed by
31 the treasurer. Expenses of such administrator shall be paid by the office of
32 the state treasurer.

33 (d) The administrator shall be tasked with assessing and managing
34 the sufficiency of the public moneys pooled method, including, but not
35 limited to, the compliance by a bank, savings and loan association or
36 savings bank that the aggregate market value of the pool of securities of
37 such bank, savings and loan association or savings bank is an amount of
38 not less than 102% of the total amount of public moneys or public funds
39 less the portion of such public moneys or funds insured or guaranteed by
40 the federal deposit insurance corporation and pursuant to K.S.A. 9-1402
41 and 12-1675, and amendments thereto. To fulfill the duties of sections 1
42 through 3, and amendments thereto, the treasurer may adopt rules and
43 regulations to administer and implement the provisions of sections 1

1 through 3, and amendments thereto, including, but not limited to, rules and
2 regulations to assess and manage the sufficiency of the public moneys
3 pooled method.

4 (e) A bank, savings and loan association or savings bank in which
5 public moneys or public funds are deposited may at any time substitute,
6 exchange or release securities deposited if such substitution, exchange or
7 release does not reduce the aggregate market value of the pool of securities
8 to an amount that is less than 102% of the total amount of public moneys
9 or public funds less the portion of such public moneys or funds insured or
10 guaranteed by the federal deposit insurance corporation and pursuant to
11 K.S.A. 9-1402 and 12-1675, and amendments thereto. ~~A~~ **Such** bank,
12 savings and loan association or savings bank shall notify the administrator
13 if additional collateral is required to be pledged due to an increase in
14 deposits placed by the governmental unit. ~~A~~ **Such** bank, savings and loan
15 association or savings bank shall notify the administrator if ~~a~~ **such** bank,
16 savings and loan association or savings bank desires to release collateral
17 due to a reduction in governmental unit deposits.

18 (f) Each bank, savings and loan association or savings bank that
19 satisfies its requirement to secure the deposit of public moneys or public
20 funds in excess of the amount insured or guaranteed by the federal deposit
21 insurance corporation by depositing, pledging or granting a security
22 interest in a single pool of securities, or any combination thereof, shall, on
23 or before the 10th day of each month, render to the administrator a
24 statement showing as of the last business day of the previous month the:

25 (1) Amount of public moneys or public funds deposited in such bank,
26 savings and loan association or savings bank that is not insured or
27 guaranteed by the federal deposit insurance corporation by:

28 (A) Each governmental unit separately; and

29 (B) all governmental units in the aggregate;

30 (2) aggregate market value of the pool of securities; and

31 (3) name, phone number and email address of a representative of each
32 governmental unit represented in the pool.

33 (g) Not later than 20 days after the deadline for receiving the
34 statement required under subsection (f), the administrator shall provide a
35 report to each governmental unit listed in such statement reflecting:

36 (1) The amount of public moneys or public funds deposited in such
37 bank, savings and loan association or savings bank by each governmental
38 unit as of the last business day of the previous month that is not insured or
39 guaranteed by the federal deposit insurance corporation and that is secured
40 pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto; and

41 (2) the aggregate market value of the pool of securities deposited as
42 of the last business day of the previous month.

43 Such report shall clearly notify the governmental unit if the value of the

1 securities did not meet the statutory requirement.

2 (h) If the administrator at any time determines that the value of the
3 securities does not meet the statutory requirement, the administrator shall
4 send notice to the bank, savings and loan association or savings bank
5 allowing such bank, savings and loan association or savings bank up to
6 five business days to adjust the securities to meet the statutory
7 requirement. If ~~a~~ **such** bank, savings and loan association or savings bank
8 does not meet the statutory requirement within the required timeframe,
9 such bank, savings and loan association or savings bank shall be subject to
10 a fine and potential sanctions issued by the administrator pursuant to rules
11 and regulations adopted by the treasurer.

12 (i) The public moneys pooled method shall not be utilized by any
13 bank, savings and loan association or savings bank unless the treasurer
14 establishes a public moneys pooled method in accordance with this section
15 or designates an administrator pursuant to subsection (c).

16 (j) This section shall take effect on and after January 1, 2026.

17 New Sec. 2. (a) When the administrator determines that a bank,
18 savings and loan association or savings bank has experienced a default, the
19 administrator shall:

20 (1) Ascertain the aggregate amounts of public moneys secured
21 pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto, and
22 deposited in ~~such~~ **the defaulting** bank, savings and loan association or
23 savings bank ~~that has defaulted~~, as disclosed by the records of such bank,
24 savings and loan association or savings bank. The administrator shall
25 determine for each governmental unit for which public moneys are
26 deposited in the defaulting bank, savings and loan association or savings
27 bank the accounts and amount of federal deposit insurance or guarantee
28 that is available for each account. The administrator shall then determine
29 for each such governmental unit the amount of public moneys not insured
30 or guaranteed by the federal deposit insurance corporation and the amount
31 of public moneys secured by a pool of securities pledged. Upon
32 completion of such determination, the administrator shall provide each
33 such governmental unit with a statement that reports the amount of public
34 moneys deposited by such governmental unit in the defaulting bank,
35 savings and loan association or savings bank, the amount of public moneys
36 that may be insured or guaranteed by the federal deposit insurance
37 corporation and the amount of public moneys secured by a pool of
38 securities, or any combination thereof, pursuant to K.S.A. 9-1402 and 12-
39 1675, and amendments thereto. Each such governmental unit shall verify
40 the information in such report with such governmental unit's records
41 within 10 business days after receiving the report and information from the
42 administrator; and

43 (2) shall repay each governmental unit for the public moneys not

1 insured or guaranteed by the federal deposit insurance corporation
2 deposited in the **defaulting** bank, savings and loan association or savings
3 bank by the governmental unit upon receipt of a verified report from such
4 governmental unit. The administrator may liquidate the securities pledged
5 for immediate distribution if the defaulting bank, savings and loan
6 association or savings bank is to be liquidated or if, for any other reason,
7 the administrator determines that public moneys are not likely to be
8 promptly paid upon demand. In the event that the amount of the deposit
9 guaranty bond or the proceeds of the securities held by the administrator
10 after liquidation is insufficient to cover all public moneys not insured or
11 guaranteed by the federal deposit insurance corporation for all
12 governmental units served by the administrator, the administrator shall pay
13 out to each governmental unit available amounts pro rata in accordance
14 with the respective public moneys not insured or guaranteed by the federal
15 deposit insurance corporation for each such governmental unit.

16 (b) Any liquidation occurring under the provisions of this section
17 shall conform to the procedures established in this section. In the event
18 that a federal deposit insurance agency is appointed and acts as a liquidator
19 or receiver of any bank, savings and loan association or savings bank
20 under state or federal law, the duties under this section that are specified to
21 be performed by the administrator in the event of default may be delegated
22 to and performed by such federal deposit insurance agency.

23 (c) This section shall take effect on and after January 1, 2026.

24 New Sec. 3. (a) A bank, savings and loan association or savings bank,
25 upon the request of a governmental unit, shall report as of the date of such
26 request the amount of public moneys deposited in such bank, savings and
27 loan association or savings bank that is not insured or guaranteed by the
28 federal deposit insurance corporation by:

29 (1) The governmental unit making the request; and

30 (2) the total amount for all other governmental units secured pursuant
31 to K.S.A. 9-1402 and 12-1675, and amendments thereto, and the aggregate
32 market value of the pool of securities deposited, pledged or in which a
33 security interest has been granted to secure public moneys held by the
34 bank, savings and loan association or savings bank, including those public
35 moneys deposited by the governmental unit.

36 Such report shall be made on or before the date that the governmental
37 unit specifies.

38 (b) ~~A qualified trustee~~ **The administrator**, upon the request of a
39 governmental unit, shall report as of the date of such request the aggregate
40 market value of the pool of securities deposited, pledged or in which a
41 security interest has been granted by the bank, savings and loan
42 association or savings bank and provide an itemized list of the securities in
43 such pool. The governmental unit shall specify the date on which such

1 report shall be made by such qualified trustee.

2 (c) This section shall take effect on and after January 1, 2026.

3 New Sec. 4. (a) An investment adviser that executes bids for the
4 investment of public moneys on behalf of a governmental unit shall not be
5 permitted to engage in a principal transaction with the governmental unit
6 that is the same or directly related to the issue of securities or financial
7 product for which the investment adviser is providing or has provided
8 advice. Nothing in this section shall prevent governmental units from
9 engaging with a federally registered investment adviser.

10 (b) For purposes of this section:

11 (1) "Governmental unit" means the state or any county, municipality
12 or other political subdivision thereof; and

13 (2) "investment adviser" means the same as defined in K.S.A. 17-
14 12a102, and amendments thereto.

15 New Sec. 5. (a) ~~If an eligible financial institution~~ **a bank, savings**
16 **and loan association or savings bank** has a good faith reason to believe
17 that a governmental-~~entity~~ **unit** has not acted in compliance with K.S.A.
18 12-1675, 12-1677a or 12-1677b, and amendments thereto, the eligible
19 financial institution may file a complaint with the state treasurer in writing
20 and signed by an executive officer of the eligible financial institution. The
21 complaint shall be submitted in the form prescribed by the state treasurer.

22 (b) Each filed complaint shall be confidential, not subject to the open
23 records act, K.S.A. 45-215 et seq., and amendments thereto, and not be
24 disclosed except as provided in this section. The provisions of this
25 subsection shall expire on July 1, 2030, unless the legislature reviews and
26 acts to continue such provisions pursuant to K.S.A. 45-229, and
27 amendments thereto, prior to July 1, 2030.

28 (c) If the state treasurer determines that such verified complaint does
29 allege facts, directly or upon information and belief, sufficient to constitute
30 a violation of the provisions of K.S.A. 12-1675, 12-1677a or 12-1677b,
31 and amendments thereto, the state treasurer shall promptly investigate the
32 alleged violation.

33 (d) If, after the investigation, the state treasurer finds that probable
34 cause does not exist to believe the allegations of the complaint, the state
35 treasurer shall dismiss the complaint. If, after such preliminary
36 investigation, the state treasurer finds that probable cause exists to believe
37 the allegations of the complaint, such complaint shall no longer be
38 confidential and may be disclosed. Upon making any such finding, the
39 state treasurer shall fix a time for a hearing on the matter, which shall be
40 not more than 30 days after such finding. In either event the state treasurer
41 shall notify the complainant and the respondent of the state treasurer's
42 determination.

43 (e) The state treasurer shall notify the attorney general and the pooled

1 money investment board of any apparent violation of law that is
2 discovered during the course of any such investigation.

3 (f) Any governmental entity that knowingly violates the provisions of
4 K.S.A. 12-1675, 12-1677a or 12-1677b, and amendments thereto, for a
5 first violation shall be required to complete a training approved by the
6 state treasurer concerning the requirements of K.S.A. 12-1675, 12-1677a
7 or 12-1677b, and amendments thereto. For a second and each succeeding
8 violation, the governmental entity shall be liable for the payment of a civil
9 penalty in an action brought by the attorney general, in a sum set by the
10 court of not to exceed \$500 for each violation. Any civil penalty sued for
11 and recovered hereunder by the attorney general shall be paid into the
12 attorney general's open government fund.

13 Sec. 6. K.S.A. 9-1402 is hereby amended to read as follows: 9-1402.

14 (a) Before any deposit of public moneys or funds shall be made by any
15 ~~municipal corporation or quasi-municipal corporation~~ *governmental unit*
16 of the state of Kansas with any bank, savings and loan association or
17 savings bank, such ~~municipal or quasi-municipal corporation~~
18 *governmental unit* shall obtain security for such deposit in one of the
19 following manners prescribed by this section.

20 (b) Such bank, savings and loan association or savings bank may give
21 a corporate surety bond of some surety corporation authorized to do
22 business in this state, ~~which~~. *Such* bond shall be in an amount equal to the
23 public moneys or funds on deposit at any given time less the amount of
24 such public moneys or funds ~~which~~ *that* is insured by the federal deposit
25 insurance corporation or its successor and such bond shall be conditioned
26 that such deposit shall be paid promptly on the order of the ~~municipal~~
27 ~~corporation or quasi-municipal corporation~~ *governmental unit* making
28 such deposits.

29 (c) Such bank, savings and loan association or savings bank may
30 deposit, maintain, pledge, assign and grant a security interest in, or cause
31 its agent, trustee, wholly owned subsidiary or affiliate having identical
32 ownership to deposit, maintain, pledge, assign and grant a security interest
33 in, for the benefit of the governing body of the ~~municipal corporation or~~
34 ~~quasi-municipal corporation~~ *governmental unit* in the manner provided in
35 this section, securities, security entitlements, financial assets and securities
36 accounts owned by the depository institution directly or indirectly through
37 the institution's agent or trustee holding securities on the institution's
38 behalf, or owned by the depository institutions wholly owned subsidiary or
39 by such affiliate, the market value of which is equal to 100% of the total
40 deposits at any given time, and such securities, security entitlements,
41 financial assets and securities accounts, may be accepted or rejected by the
42 governing body of the ~~municipal corporation or quasi-municipal~~
43 ~~corporation~~ *governmental unit* and shall consist of the following and

1 security entitlements thereto:

2 (1) Direct obligations of, or obligations that are insured as to principal
3 and interest by, the United States of America or any agency thereof and
4 obligations, including, but not limited to, letters of credit and securities of
5 ~~United States sponsored~~ *States-sponsored* corporations ~~which that~~ under
6 federal law may be accepted as security for public funds;

7 (2) bonds of any ~~municipal corporation or quasi-municipal~~
8 ~~corporation~~ *governmental unit* of the state of Kansas ~~which that~~ have been
9 refunded in advance of the bonds' maturity and are fully secured as to
10 payment of principal and interest thereon by deposit in trust, under escrow
11 agreement with a bank, of direct obligations of, or obligations the principal
12 of and the interest on which are unconditionally guaranteed by, the United
13 States of America;

14 (3) bonds of the state of Kansas;

15 (4) general obligation bonds of any ~~municipal corporation or quasi-~~
16 ~~municipal corporation~~ *governmental unit* of the state of Kansas;

17 (5) revenue bonds of any ~~municipal corporation or quasi-municipal~~
18 ~~corporation~~ *governmental unit* of the state of Kansas if approved by the
19 commissioner;

20 (6) temporary notes of any ~~municipal corporation or quasi-municipal~~
21 ~~corporation~~ *governmental unit* of the state of Kansas ~~which that~~ are
22 general obligations of the ~~municipal or quasi-municipal~~ ~~corporation-~~
23 ~~governmental unit~~ *issuing the same such temporary notes*;

24 (7) warrants of any ~~municipal corporation or quasi-municipal~~
25 ~~corporation~~ *governmental unit* of the state of Kansas the issuance of which
26 is authorized by the state board of tax appeals and ~~which that~~ are payable
27 from the proceeds of a mandatory tax levy;

28 (8) bonds of either a Kansas not-for-profit corporation or of a local
29 housing authority that are rated at least Aa by Moody's investors service or
30 AA by Standard & Poor's corp.;

31 (9) bonds issued pursuant to K.S.A. 12-1740 et seq., and amendments
32 thereto, that are rated at least MIG-1 or Aa by Moody's investors service or
33 AA by Standard & Poor's corp.;

34 (10) notes of a Kansas not-for-profit corporation that are issued to
35 provide only the interim funds for a mortgage loan that is insured by the
36 federal housing administration;

37 (11) bonds issued pursuant to K.S.A. 74-8901 through 74-8916, and
38 amendments thereto;

39 (12) bonds issued pursuant to K.S.A. 68-2319 through 68-2330, and
40 amendments thereto;

41 (13) commercial paper that does not exceed 270 days to maturity and
42 ~~which~~ has received one of the two highest commercial paper credit ratings
43 by a nationally recognized investment rating firm; or

1 (14) (A) negotiable promissory notes together with first lien
2 mortgages on one to four family residential real estate located in Kansas
3 securing payment of such notes when such notes or mortgages:

4 (i) Are underwritten by the federal national mortgage association, the
5 federal home loan mortgage corporation, the federal housing
6 administration or the veterans administration standards;

7 (ii) have been in existence with the same borrower for at least two
8 years and with no history of any installment being unpaid for 30 days or
9 more; and

10 (iii) are valued at not to exceed 50% of the lesser of the following
11 three values: Outstanding mortgage balance, current appraised value of the
12 real estate or discounted present value based upon current federal national
13 mortgage association or government national mortgage association interest
14 rates quoted for conventional, federal housing administration or veterans
15 administration mortgage loans.

16 (B) Securities under ~~paragraph~~ *subparagraph* (A) shall be taken at
17 their value for not more than 50% of the security required under the
18 provisions of this section.

19 (C) Securities under ~~paragraph~~ *subparagraph* (A) shall be withdrawn
20 immediately from the collateral pool if any installment is unpaid for 30
21 days or more.

22 (D) A status report on all such loans shall be provided to the investing
23 governmental entity by the financial institution on a quarterly basis.

24 (d) *Such bank, savings and loan association or savings bank shall*
25 *secure the deposit of public moneys of one or more governmental units*
26 *through the public moneys pooled method pursuant to section 1, and*
27 *amendments thereto, for the benefit of the governmental unit having public*
28 *moneys with such bank, savings and loan association or savings bank as*
29 *provided in section 1, and amendments thereto.*

30 (e) No such bank, savings and loan association or savings bank may
31 deposit and maintain for the benefit of the governing body of a ~~municipal~~
32 ~~or quasi-municipal corporation~~ *governmental unit* of the state of Kansas,
33 any securities ~~which~~ *that* consist of:

34 (1) Bonds secured by revenues of a utility ~~which~~ *that* has been in
35 operation for less than three years; or

36 (2) bonds issued under K.S.A. 12-1740 et seq., and amendments
37 thereto, unless such bonds have been refunded in advance of their maturity
38 as provided in subsection ~~(d)~~ (c) or such bonds are rated at least Aa by
39 Moody's investors service or AA by Standard & Poor's corp.

40 ~~(e)~~(f) Any applicant requesting approval of a revenue bond pursuant
41 to subsection (c)(5) shall pay to the commissioner a fee in an amount
42 established pursuant to K.S.A. 9-1726, and amendments thereto, to defray
43 the expenses of the commissioner in the examination and investigation of

1 the application. The commissioner shall remit all amounts received under
2 this section to the state treasurer in accordance with the provisions of
3 K.S.A. 75-4215, and amendments thereto. Upon receipt of each such
4 remittance, the state treasurer shall deposit the entire amount in the state
5 treasury to the credit of the bank investigation fund. The moneys in the
6 bank investigation fund shall be used to pay the expenses of the
7 commissioner in the examination and investigation of such applications
8 and any unused balance shall be transferred to the bank commissioner fee
9 fund.

10 (g) *For purposes of this section, "governmental unit" means the state*
11 *or any county, municipality or other political subdivision of the state.*

12 Sec. 7. K.S.A. 12-1675 is hereby amended to read as follows: 12-
13 1675. (a) The governing body of any county, city, township, school
14 district, area vocational-technical school, community college, firemen's
15 relief association, community mental health center, community facility for
16 people with intellectual disability or any other governmental entity, unit or
17 subdivision in the state of Kansas having authority to receive, hold and
18 expend public moneys or funds may invest any moneys ~~which~~ *that* are not
19 immediately required for the purposes for which the moneys were
20 collected or received, and the investment of which is not subject to or
21 regulated by any other statute.

22 (b) Such moneys shall be invested only:

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

25 (2) in savings deposits, demand deposits, time deposit, open accounts,
26 certificates of deposit or time certificates of deposit with maturities of not
27 more than two years:

28 (A) In banks, savings and loan associations and savings banks, ~~which~~
29 *that* have main or branch offices located in such investing governmental
30 unit; or

31 (B) if no main or branch office of a bank, savings and loan
32 association or savings bank is located in such investing governmental unit,
33 then in banks, savings and loan associations and savings banks, ~~which~~ *that*
34 have main or branch offices in the county or counties in which all or part
35 of such investing governmental unit is located.

36 (C) *In selecting a bank, savings and loan association or savings bank*
37 *pursuant to subparagraphs (A) and (B), the investing governmental unit*
38 *may accept any rate agreed upon by the governmental unit and the*
39 *eligible bank, savings and loan association or savings bank. If a bank,*
40 *savings and loan association or savings bank eligible for an investment*
41 *deposit pursuant to subparagraphs (A) and (B) will make such deposits*
42 *available to the investing governmental unit at interest rates equal to or*
43 *greater than the investment rate, as defined in K.S.A. 12-1675a(g), and*

1 *amendments thereto, the investing governmental unit shall select one or*
2 *more of such eligible banks, savings and loan associations or savings*
3 *banks;*

4 (3) in repurchase agreements with:

5 (A) Banks, savings and loan associations and savings banks, ~~which~~
6 *that* have main or branch offices located in such investing governmental
7 unit, for direct obligations of, or obligations that are insured as to principal
8 and interest by, the United States government or any agency thereof; or

9 (B) (i) if no main or branch office of a bank, savings and loan
10 association or savings bank, is located in such investing governmental
11 unit; or

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

21 (C) if no bank, savings and loan association or savings bank, having a
22 main or branch office in such county or counties is willing to enter into
23 such an agreement with the investing governmental unit at an interest rate
24 equal to or greater than the investment rate, as defined in ~~subsection (g) of~~
25 K.S.A. 12-1675a(g), and amendments thereto, then such repurchase
26 agreements may be entered into with banks, savings and loan associations
27 or savings banks located within this state.

28 (D) *In selecting a bank, savings and loan association or savings bank*
29 *pursuant subparagraphs (A), (B) and (C), the governmental unit may*
30 *accept any rate agreed upon by the governmental unit and the eligible*
31 *bank, savings and loan association or savings bank;*

32 (4) in direct obligations of or obligations that are insured as to
33 principal and interest by the United States or any agency thereof, not
34 including mortgage-backed securities with maturities as the governing
35 body shall determine, but not exceeding two years. Such investment
36 transactions shall only be conducted with:

37 (A) Banks, savings and loan associations and savings banks;

38 (B) the federal reserve bank of Kansas City, Missouri; or ~~with~~

39 (C) primary government securities dealers ~~which~~ *that* report to the
40 market report division of the federal reserve bank of New York, or any
41 broker-dealer engaged in the business of selling government securities
42 ~~which~~ *that* is registered in compliance with the requirements of section 15
43 or 15C of the securities exchange act of 1934 and registered pursuant to

1 K.S.A. 17-12a401, and amendments thereto;

2 (5) in the municipal investment pool fund established in K.S.A. 12-
3 1677a, and amendments thereto;

4 (6) in the investments authorized and in accordance with the
5 conditions prescribed in K.S.A. 12-1677b, and amendments thereto;

6 (7) in multiple municipal client investment pools managed by the
7 trust departments of banks ~~which~~ *that* have main or branch offices located
8 in the county or counties where such investing governmental unit is
9 located or with trust companies incorporated under the laws of this state
10 ~~which~~ *that* have contracted to provide trust services under the provisions
11 of K.S.A. 9-2107, and amendments thereto, with banks ~~which~~ *that* have
12 main or branch offices located in the county or counties in which such
13 investing governmental unit is located. Public moneys invested under this
14 paragraph shall be secured in the same manner as provided for under
15 K.S.A. 9-1402, and amendments thereto. Pooled investments of public
16 moneys made by trust departments under this paragraph shall be subject to
17 the same terms, conditions and limitations as are applicable to the
18 municipal investment pool established by K.S.A. 12-1677a, and
19 amendments thereto; or

20 (8) municipal bonds or other obligations issued by any municipality
21 of the state of Kansas as defined in K.S.A. 10-1101, and amendments
22 thereto, ~~which~~ *that* are general obligations of the municipality issuing the
23 same.

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

32 (d) ~~In selecting a depository pursuant to paragraph (2) of subsection~~
33 ~~(b), if a bank, savings and loan association or savings bank eligible for an~~
34 ~~investment deposit thereunder has an office located in the investing~~
35 ~~governmental unit and such financial institution will make such deposits~~
36 ~~available to the investing governmental unit at interest rates equal to or~~
37 ~~greater than the investment rate, as defined in subsection (g) of K.S.A. 12-~~
38 ~~1675a, and amendments thereto, and such financial institution otherwise~~
39 ~~qualifies for such deposit, the investing governmental unit shall select one~~
40 ~~or more of such eligible financial institutions for deposit of funds pursuant~~
41 ~~to this section. If no such financial institution qualifies for such deposits,~~
42 ~~the investing governmental unit may select for such deposits one or more~~
43 ~~eligible banks, savings and loan associations or savings banks which have~~

1 offices in the county or counties in which all or a part of such investing
2 governmental unit is located which will make such deposits available to
3 the investing governmental unit at interest rates equal to or greater than the
4 investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and
5 amendments thereto, and which otherwise qualify for such deposits.

6 (e)(d) (1) All security purchases and repurchase agreements shall
7 occur on a delivery versus payment basis.

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

12 (f)(e) Public moneys deposited pursuant to subsection (b)(2) of
13 K.S.A. 12-1675, and amendments thereto, by the governing body of any
14 governmental unit listed in subsection (a) of K.S.A. 12-1675, and
15 amendments thereto, through a selected bank, savings and loan association
16 or savings bank which that is part of a reciprocal deposit program in which
17 the bank, savings and loan association or savings bank:

18 (1) Receives reciprocal deposits from other participating institutions
19 located in the United States in an amount equal to the amount of funds
20 deposited by the municipal corporation or quasi-municipal corporation
21 investing governmental unit; and

22 (2) for which the total cumulative amount of each deposit does not
23 exceed the maximum deposit insurance amount for one depositor at one
24 financial institution as determined by the federal deposit insurance
25 corporation.

26 Such deposits shall not be treated as securities and need not be secured
27 as provided in this or any other act statute.

28 (f) Public moneys deposited pursuant to subsection (b)(2) by the
29 governing body of any investing governmental unit specified in subsection
30 (a) through a selected bank, savings and loan association or savings bank
31 shall be secured by the public moneys pooled method pursuant to section
32 1, and amendments thereto, for the benefit of such investing governmental
33 unit having public moneys with such bank, savings and loan association or
34 savings bank as provided in section 1, and amendments thereto.

35 (g) In selecting a depository institution pursuant to subsection (b)(2),
36 an investing governmental unit shall allow an eligible financial institution
37 two business days to respond to the bid.

38 Sec. 8. K.S.A. 12-1677a is hereby amended to read as follows: 12-
39 1677a. (a) Moneys deposited by any municipality with the state treasurer
40 for investment authorized in paragraph (5) of subsection (b) of K.S.A. 12-
41 1675(b)(5), and amendments thereto, shall be deposited in the municipal
42 investment pool fund, which is hereby created in the state treasury. The
43 state treasurer shall provide the board a monthly record of the deposits and

1 withdrawals of municipalities. Such record may include the amount of the
2 deposit, the date of the deposit and such other information as the pooled
3 money investment board may require.

4 (b) The director of investments may invest and reinvest moneys in the
5 municipal investment pool fund in accordance with investment policies
6 established by the pooled money investment board under K.S.A. 75-4232,
7 and amendments thereto, and in accordance with K.S.A. 75-4234 and 75-
8 4209, and amendments thereto.

9 (c) The director of investments shall apportion earnings and losses
10 among the accounts of the depositors in the various investment options of
11 the municipal investment pool in accordance with policies approved and
12 published by the board. A statement for each municipality participating
13 unit account showing deposits, withdrawals, earnings and losses
14 distributions shall be provided monthly to the municipality. The director of
15 investments shall make comprehensive reports monthly to those
16 municipalities participating in the municipal investment pool fund and to
17 other interested parties requesting such reports. Such reports shall include
18 a summary of transactions for the month, the current market value of the
19 pooled money investment portfolio investments, the weighted average
20 maturity of the portfolio, the original costs of the investments in the
21 portfolio, including any fees associated with such investments and such
22 other relevant information the director of investments may wish to include
23 in such report.

24 (d) The municipal investment pool reserve fund is abolished effective
25 July 1, 1996, and any unencumbered balance remaining therein shall be
26 applied to net losses in the municipal investment pool fund. The municipal
27 investment pool fund fee fund is abolished on July 1, 1997, and any
28 unencumbered balance remaining therein shall be transferred to the pooled
29 money investment portfolio fee fund and such amounts shall be applied to
30 net losses, as of July 1, 1996, in the municipal investment pool fund.

31 (e) The pooled money investment board may adopt rules and
32 regulations necessary for the administration and operation of the municipal
33 investment pool fund and may enter into agreements with any municipality
34 as to methods of deposits, withdrawals and investments.

35 (f) Deposits in the municipal investment pool fund: (1) May only be
36 made for the same maturity as the maturity ~~which~~ *that* is offered under
37 ~~paragraph (2) of subsection (b) of K.S.A. 12-1675(b)(2), and amendments~~
38 ~~thereto; and~~ (2) upon the maturity of such deposits, such moneys shall be
39 ~~offered for investment under paragraph (2) of subsection (b) of K.S.A. 12-~~
40 ~~1675(b)(2), and amendments thereto, and may be reinvested in such fund~~
41 ~~only if the conditions contained in subsection (c) of K.S.A. 12-1675(c),~~
42 ~~and amendments thereto, have been satisfied; and (3) shall be~~
43 *accompanied with a certification to prove compliance with K.S.A. 12-*

1 1675(c), and amendments thereto, and a listing of the banks, savings and
2 loan associations and savings banks from which the governmental unit
3 requested bids.

4 (g) Moneys and investments in the municipal investment pool fund
5 shall be managed by the pooled money investment board in accordance
6 with investment policies provided for in K.S.A. 75-4209, and amendments
7 thereto. A copy of such published policies shall be distributed to all
8 municipalities participating in the municipal investment pool fund and to
9 other interested persons requesting a copy of such policies. The pooled
10 money investment board shall not contract for management of investments
11 by a money manager.

12 Sec. 9. K.S.A. 12-1677b is hereby amended to read as follows: 12-
13 1677b. (a) The governing body of any city, county or school district ~~which~~
14 *that* has a written investment policy approved by the governing body of
15 such city, county or school district and such written investment policy is
16 approved by the pooled money investment board as provided in subsection
17 (b) may invest and reinvest pursuant to the approved investment policy in
18 the following investments, as authorized under ~~paragraph (6) of subsection~~
19 ~~(b) of K.S.A. 12-1675(b)(6)~~, and amendments thereto:

20 (1) Direct obligations of, or obligations that are insured as to principal
21 and interest by, the United States of America or any agency thereof and
22 obligations and securities of United States ~~sponsored government-~~
23 *sponsored* enterprises ~~which that~~ under federal law may be accepted as
24 security for public funds, except that such investments shall not be in
25 mortgage-backed securities;

26 (2) interest-bearing time deposits in any banks, savings and loan
27 associations and savings banks; or

28 (3) repurchase agreements with banks, savings and loan associations
29 and savings banks, or with a primary government securities dealer ~~which~~
30 *that* reports to the market reports division of the federal reserve bank of
31 New York for direct obligations of, or obligations that are insured as to
32 principal and interest by, the United States government or any agency
33 thereof and obligations and securities of United States ~~government-~~
34 *sponsored government-sponsored* enterprises ~~which that~~ under federal law
35 may be accepted as security for public funds.

36 (b) In approving the investment policy of any city, county or school
37 district, the pooled money investment board shall require that such policy
38 addresses liquidity, diversification, safety of principal, yield, maturity and
39 quality and capability of investment management staff. In addition, the
40 policy shall provide procedures for compliance with ~~subsection (c) of~~
41 K.S.A. 12-1675(c), and amendments thereto, and a certification from the
42 investment management staff that those procedures have been followed.

43 (c) The investment policy of any city, county or school district

1 approved by the pooled money investment board under this section shall
2 be reviewed and approved at least annually by such board or when such
3 city, county or school district makes changes in such investment policy. On
4 condition of approving the investment policy, the pooled money
5 investment board shall review the policy to assure that it addresses
6 liquidity, diversification, safety of principal, yield, maturity and quality
7 and capability of investment management staff. In addition, the policy
8 shall provide procedures for compliance with ~~subsection (e)~~ of K.S.A. 12-
9 1675(c), and amendments thereto, a certification from the investment
10 management staff that those procedures have been followed and:

11 (1) A listing of the banks, savings and loan associations and savings
12 banks from which the city, county or school district requested bids in the
13 preceding year;

14 (2) *an annual portfolio holdings report in a form prescribed by the*
15 *pooled money investment board; and*

16 (3) *any fee or cost that the city, county or school district is paying for*
17 *investment adviser services.*

18 (d) *The pooled money investment board shall report annually to the*
19 *legislature a list of cities, counties and school districts that have been*
20 *approved under this section, including the documents provided in*
21 *subsection (c).*

22 (e) (1) All security purchases shall occur on a delivery versus
23 payment basis.

24 (2) All securities shall be perfected in the name of the city, county or
25 school district and shall be delivered to the purchaser or a ~~third party~~ *third-*
26 *party* custodian, which may be the state treasurer.

27 (3) Investment transactions shall only be conducted with banks,
28 savings and loan associations and savings banks; ~~or, with primary~~
29 ~~government securities dealers~~ ~~which that~~ report to the market report
30 division of the federal reserve bank of New York; or any broker-dealer
31 ~~which that~~ is registered in compliance with the requirements of section
32 15C of the securities exchange act of 1934 and registered pursuant to
33 K.S.A. 17-12a401, and amendments thereto.

34 (4) The maximum maturity for investments under subsection (a) shall
35 be four years.

36 ~~(e)(f)~~ Investments in securities under ~~paragraph (1)~~ of subsection (a)
37 (1) shall be limited to securities ~~which that~~ do not have any more interest
38 rate risk than do direct United States government obligations of similar
39 maturities. For purposes of this subsection, "interest rate risk" means
40 market value changes due to changes in current interest rates.

41 ~~(f)(g)~~ A city, county or school district ~~which that~~ violates ~~subsection~~
42 ~~(e) or (d)~~ of K.S.A. 12-1675(c), and amendments thereto, or the rules and
43 regulations of the pooled money investment board shall forfeit its rights

1 under this section for a two year period and shall be reinstated only after a
2 complete review of its investment policy as provided for in subsection (b).
3 Such forfeiture shall be determined by the pooled money investment board
4 after notice and opportunity to be heard in accordance with the Kansas
5 administrative procedure act.

6 Sec. 10. K.S.A. 2024 Supp. 75-4237 is hereby amended to read as
7 follows: 75-4237. (a) The director of investments shall accept requests
8 from banks interested in obtaining investment accounts of state moneys.
9 Such requests may be submitted any business day and shall specify the
10 dollar amount and maturity. The director of investments is authorized to
11 award the investment account to the requesting bank at the ~~market~~
12 *investment* rate established by subsection (b). Awards of investment
13 accounts pursuant to this section shall be subject to investment policies of
14 the pooled money investment board. When multiple requests are received
15 and are in excess of the amount available for investment that day for any
16 maturity, awards shall be made available in ascending order from smallest
17 to largest dollar amount requested, subject to investment policies of the
18 board. *The maximum dollar amount invested in any one bank shall not*
19 *exceed 2.5% of the bank certificate of deposit program.*

20 (b) *The investment rate shall be determined each business day by the*
21 *director of investments, in accordance with any procedures established by*
22 *the pooled money investment board, at an interest rate that is up to 2%*
23 *less than the market rate provided by this section.*

24 (c) The market rate shall be determined each business day by the
25 director of investments, in accordance with any procedures established by
26 the pooled money investment board. Subject to any policies of the board,
27 the market rate shall reflect the highest rate at which state moneys can be
28 invested on the open market in investments authorized by K.S.A. 75-
29 4209(a), and amendments thereto, for equivalent maturities.

30 ~~(e)~~(d) (1) Notwithstanding the provisions of this section, linked
31 deposits made pursuant to the provisions of K.S.A. 2-3703 through 2-
32 3707, and amendments thereto, shall be at an interest rate that is 2% less
33 than the market rate determined under this section and that shall be
34 recalculated on the first business day of each calendar year using the
35 market rate then in effect.

36 (2) Notwithstanding the provisions of this section, agricultural
37 production loan deposits made pursuant to the provisions of K.S.A. 75-
38 4268 through 75-4274, and amendments thereto, shall be at an interest rate
39 that is 2% less than the market rate provided by this section and that shall
40 be recalculated on the first business day of each calendar year using the
41 market rate then in effect.

42 (3) Notwithstanding the provisions of this section, loan deposits made
43 pursuant to the city utility low-interest loan program shall be at an interest

1 rate that is 2% less than the market rate provided by this section and that
2 shall be recalculated on the first business day of each calendar year using
3 the market rate then in effect.

4 (4) Notwithstanding the provisions of this section, economic recovery
5 loan deposits made pursuant to the Kansas economic recovery loan deposit
6 program shall be at an interest rate that is 2% less than the market rate
7 provided by this section and that shall be recalculated on the first business
8 day of each calendar year using the market rate then in effect.

9 (5) Notwithstanding the provisions of this section, extraordinary
10 utility costs loan deposits made pursuant to the Kansas extraordinary
11 utility costs loan deposit program shall be at an interest rate that is 2% less
12 than the market rate provided by this section and that shall be recalculated
13 on the first business day of each calendar year using the market rate then
14 in effect.

15 ~~(d)~~(e) (1) The director of investments may place deposits through a
16 selected bank, savings and loan association or savings bank that is part of a
17 reciprocal deposit program in which the bank, savings and loan association
18 or savings bank:

19 (A) Receives reciprocal deposits from other participating institutions
20 located in the United States in an amount equal to the amount of funds
21 deposited by the municipal corporation or quasi-municipal corporation;
22 and

23 (B) for which the total cumulative amount of each deposit does not
24 exceed the maximum deposit insurance amount for one depositor at one
25 financial institution as determined by the federal deposit insurance
26 corporation.

27 (2) Such deposits shall not be treated as securities and need not be
28 secured as provided in this or any other act, except that such deposits shall
29 be secured as provided in K.S.A. 75-4218, and amendments thereto, when
30 they are held by the selected financial institution prior to placement with
31 reciprocal institutions or upon maturity.

32 ~~(e)~~(f) The pooled money investment board shall establish procedures
33 for administering reciprocal deposit programs in its investment policies, as
34 authorized by K.S.A. 75-4232, and amendments thereto.

35 Sec. 11. K.S.A. 9-1402, 12-1675, 12-1677a and 12-1677b and K.S.A.
36 2024 Supp. 75-4237 are hereby repealed.

37 Sec. 12. This act shall take effect and be in force from and after its
38 publication in the statute book.