

SESSION OF 2026

SUPPLEMENTAL NOTE ON SENATE BILL NO. 524

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

SB 524, as amended, would amend law regarding the administration of the public moneys pooled method of investing by the Office of the State Treasurer (Office), including written agreements for depositories, the value of market assets required to secure public deposits, the assessment of an administrative fee, and the creation of a fee fund, among other changes.

The bill would also make technical and conforming amendments.

Public Moneys Pooled Method Administration

Written Agreement for Depositories

The bill would require a depository bank, savings and loan association, or savings bank and any trustee, wholly owned subsidiary, or affiliate having identical ownership granting a security interest to enter into a written agreement with the State Treasurer to be designated as a depository for a municipal corporation or quasi-municipal corporation's public moneys.

In cases where a depository fails to meet the requirements set by the State Treasurer, the bill would provide for the State Treasurer to instruct the governmental unit to either:

*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 <https://klrd.gov/>

- Close the account for the full amount, including accrued interest, without penalty if the deposit exceeds seven days; or
- Convert the account to a repurchase agreement under terms acceptable to the State Treasurer.

Securities

The bill would require the State Treasurer to be a party to agreements in which the custodian of funds for each governmental unit and an officer of the depository bank, savings and loan association, or savings bank decide to reduce the amount of security for the deposits of the governmental entity. Continuing law requires such agreement to be in writing and kept on file with the office of the governing body of the governmental unit and the bank, savings and loan association, or savings bank; the bill would require this agreement to also be kept on file in the Office.

In statute regarding deposit of public moneys and state moneys, the bill would amend the market value of assets required to secure public deposits from 100 percent to 102 percent of the amount deposited.

Exemption

The bill would provide an exception from the public moneys pooled method for an account of a governmental unit if the account is subject to a conflicting federal law.

Fee and Public Moneys Fee Fund

The bill would provide for the State Treasurer to assess a reasonable and customary fee, to be used solely to operate the public moneys pooled method. The bill would require the fee to be adopted through rules and regulations.

The bill would create the Public Moneys Fee Fund (Fund), and all fees received would be deposited into the State Treasury to the credit of the Fund. All expenditures from the Fund would be made in accordance with appropriation acts and issued pursuant to vouchers approved by the State Treasurer or the State Treasurer's designee.

Definitions

In statute regarding the public moneys pooled method of investment, the bill would:

- Clarify a standard definition for "governmental unit" and remove a duplicative definition; and
- Amend the definition of "public moneys pooled method" or "pool of securities" to mean a pool of eligible securities used by a bank, savings and loan association, or savings bank to secure the deposit of public moneys in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation pursuant to state law.

The bill would amend the definition of "securities" found in KSA 75-4201, regarding state moneys, to align with the definition in KSA 9-1402(c), regarding securing the deposits of state funds.

Background

The bill was introduced by the Senate Committee on Assessment and Taxation at the request of a representative of the Office.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by the State Treasurer and representatives of the Kansas Bankers Association and the Office, who generally stated that the bill would make necessary updates to the statute enacted in 2025 Senate Substitute for HB 2152. The State Treasurer stated that the proposed changes in the bill are the result of a collaborative effort with the Kansas Bankers Association, the Federal Home Loan Bank, local officials, and other stakeholders to implement the Kansas Collateral Pool (KCP) and unify the statutes governing its administration.

No other testimony was provided.

The Senate Committee amended the bill to specify that the fee assessed by the State Treasurer would be used solely to operate the public moneys pooled method, and the fee amount would be adopted through rules and regulations.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Office indicates the bill would require \$254,200 in FY 2027 from Public Moneys Fee Fund to implement the bill. The bill would require the hiring of a 1.00 new FTE program manager position with an estimated annual salaries and wages cost of \$120,000. Computer workstation setup, software licensing, phone and jack fees, postage and printing, office furniture, and the rental of additional office space would likely be needed for the new employee with ongoing costs totaling \$19,000. Program costs would also include \$115,200 to verify market values of each pledged security. The Office indicates the bill authorizes it to assess a reasonable fee to financial institutions to operate the KCP. The Office indicates that the state's primary contract for banking services currently charges a \$0.60 fee (per security,

per month) to verify market values of each pledged security. The current fee structure is estimated to cost the Office \$115,200 per fiscal year based on \$0.60 fee per security in the pool verified each month with an estimated 16,000 securities. The Office does not have statutory authority to recoup these verification fees and the state's primary contract for banking services has not initially charged this fee as the program ramps up. Operating the KCP is not sustainable until fees are authorized to be charged to recoup program costs. During the implementation phase, these fees are not being passed on to program participants given the lack of statutory authority to do so. While the securities pool currently consists of fewer securities, additional financial institutions are expected to complete the process to join the program which will substantially increase the number of pooled securities during the remainder of calendar year 2026 but could vary widely depending on participation levels. The Office would monitor the numbers of participating financial institutions, pledged securities, and fee levels to ensure the program will be self-sustaining with the fee authorized by the bill. It is assumed that a total of \$254,200 would be generated to the Fund to offset any expenses necessary to operate this program.

The bill would have no fiscal effect on the operations of the Pooled Money Investment pool or the Office of the State Bank Commissioner (OSBC). The OSBC indicates the bill has the potential to adjust certain assessment rates. The agency's budget is funded from assessments paid through its licensees and chartered institutions. Its assessments are based on the budgetary needs of each applicable division. For state banks and trust companies, the agency assesses a percentage of each entity's total assets that is necessary in order to regulate these institutions. The percentage of total assets assessed changes each fiscal year in order to ensure the agency's budgetary needs are met. If the collective total assets decrease for all state-chartered banks due to the assessments charged by the State Treasurer, the OSBC would assess a higher percentage to each state-chartered bank. However, any change in assessments and assessment

rate is estimated to be negligible and would be revenue neutral across all state banks and trust companies. Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

State Treasurer; public moneys; public moneys pooled method; Public Moneys Fee Fund