

2023 Kansas Statutes

9-1402. Securing the deposits of public funds. (a) Before any deposit of public moneys or funds shall be made by any municipal corporation or quasi-municipal corporation of the state of Kansas with any bank, savings and loan association or savings bank, such municipal or quasi-municipal corporation shall obtain security for such deposit in one of the following manners prescribed by this section.

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

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

- (1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations, including, but not limited to, letters of credit and securities of United States sponsored corporations which under federal law may be accepted as security for public funds;
- (2) bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas which have been refunded in advance of the bonds' maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America;
- (3) bonds of the state of Kansas;
- (4) general obligation bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas;
- (5) revenue bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas if approved by the commissioner;
- (6) temporary notes of any municipal corporation or quasi-municipal corporation of the state of Kansas which are general obligations of the municipal or quasi-municipal corporation issuing the same;
- (7) warrants of any municipal corporation or quasi-municipal corporation of the state of Kansas the issuance of which is authorized by the state board of tax appeals and which are payable from the proceeds of a mandatory tax levy;
- (8) bonds of either a Kansas not-for-profit corporation or of a local housing authority that are rated at least Aa by Moody's investors service or AA by Standard & Poor's corp.;
- (9) bonds issued pursuant to K.S.A. 12-1740 et seq., and amendments thereto, that are rated at least MIG-1 or Aa by Moody's investors service or AA by Standard & Poor's corp.;
- (10) notes of a Kansas not-for-profit corporation that are issued to provide only the interim funds for a mortgage loan that is insured by the federal housing administration;
- (11) bonds issued pursuant to K.S.A. 74-8901 through 74-8916, and amendments thereto;

- (12) bonds issued pursuant to K.S.A. 68-2319 through 68-2330, and amendments thereto;
- (13) commercial paper that does not exceed 270 days to maturity and which has received one of the two highest commercial paper credit ratings by a nationally recognized investment rating firm; or
- (14) (A) negotiable promissory notes together with first lien mortgages on one to four family residential real estate located in Kansas securing payment of such notes when such notes or mortgages:
- (i) Are underwritten by the federal national mortgage association, the federal home loan mortgage corporation, the federal housing administration or the veterans administration standards;
 - (ii) have been in existence with the same borrower for at least two years and with no history of any installment being unpaid for 30 days or more; and
 - (iii) are valued at not to exceed 50% of the lesser of the following three values: Outstanding mortgage balance, current appraised value of the real estate or discounted present value based upon current federal national mortgage association or government national mortgage association interest rates quoted for conventional, federal housing administration or veterans administration mortgage loans.
- (B) Securities under paragraph (A) shall be taken at their value for not more than 50% of the security required under the provisions of this section.
- (C) Securities under paragraph (A) shall be withdrawn immediately from the collateral pool if any installment is unpaid for 30 days or more.
- (D) A status report on all such loans shall be provided to the investing governmental entity by the financial institution on a quarterly basis.
- (d) No such bank, savings and loan association or savings bank may deposit and maintain for the benefit of the governing body of a municipal or quasi-municipal corporation of the state of Kansas, any securities which consist of:
- (1) Bonds secured by revenues of a utility which has been in operation for less than three years; or
 - (2) bonds issued under K.S.A. 12-1740 et seq., and amendments thereto, unless such bonds have been refunded in advance of their maturity as provided in subsection (d) or such bonds are rated at least Aa by Moody's investors service or AA by Standard & Poor's corp.
- (e) Any applicant requesting approval of a revenue bond pursuant to subsection (c) (5) shall pay to the commissioner a fee in an amount established pursuant to K.S.A. 9-1726, and amendments thereto, to defray the expenses of the commissioner in the examination and investigation of the application. The commissioner shall remit all amounts received under this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the bank investigation fund. The moneys in the bank investigation fund shall be used to pay the expenses of the commissioner in the examination and investigation of such applications and any unused balance shall be transferred to the bank commissioner fee fund.

History: L. 1947, ch. 102, § 64; L. 1965, ch. 76, § 1; L. 1968, ch. 236, § 1; L. 1970, ch. 63, § 1; L. 1973, ch. 48, § 1; L. 1976, ch. 79, § 1; L. 1978, ch. 45, § 1; L. 1980, ch. 47, § 1; L. 1982, ch. 52, § 2; L. 1983, ch. 49, § 17; L. 1983, ch. 47, § 3; L. 1983, ch. 49, § 18; L. 1985, ch. 58, § 1; L. 1985, ch. 58, § 2; L. 1986, ch. 76, § 2; L. 1986, ch. 76, § 3; L. 1987, ch. 56, § 1; L. 1989, ch. 48, § 42; L. 1989, ch. 209, § 18; L. 1992, ch. 146, § 25; L. 1994, ch. 74, § 1; L. 1997, ch. 180, § 4; L. 2008, ch. 109, § 22; L. 2014, ch. 141, § 16; L. 2015, ch. 38, § 78; L. 2016, ch. 54, § 35; July 1.