



To: Senate Committee on Ethics, Elections and Local Government

From: Shawn Mitchell, President and CEO
Community Bankers Association of Kansas

Date: February 14, 2013

RE: Opposition of Senate Bill No. 130

Chairman Pyle and Members of the Committee on Ethics, Elections and Local Government:

I am Shawn Mitchell, President and Chief Executive Officer of the Community Bankers Association of Kansas (CBA) and I want to thank you for the opportunity to appear before the committee today in Opposition of Senate Bill No. 130.

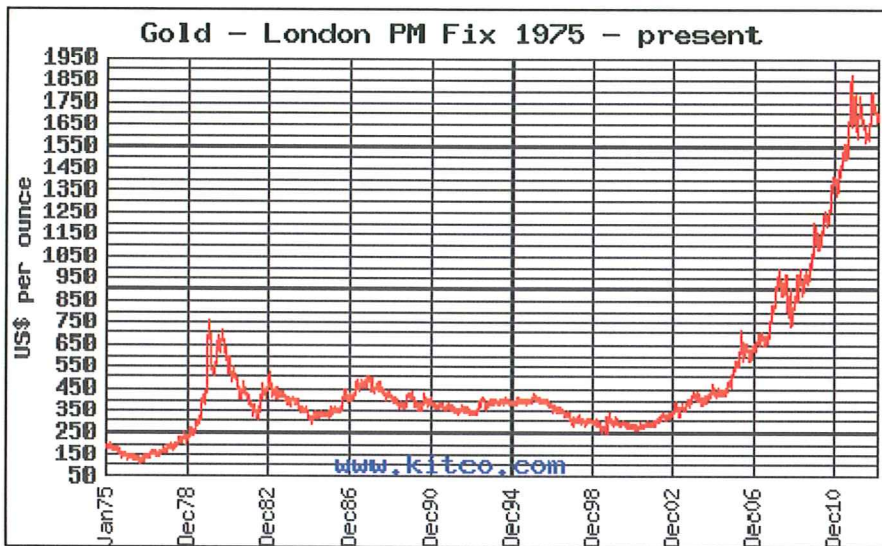
Community bankers live, work and serve in their communities and are continually involved in improving the day-to-day life of the people in those communities. CBA is the statewide trade association for those locally owned and operated banks in the state of Kansas. As a community banker for more than 15 years, and CEO for the Community Bankers Association for the last 4+ years, I've seen firsthand the important role local community banks play throughout Kansas communities and how local governments serve those same communities.

Managing money wisely and making effective financial decisions is critical to any local governmental entity and the safe and prudent investment of its short-term public monies is one of its most vital responsibilities. This can never be taken lightly, nor left to chance. The Kansas legislature, financial institutions and public entities always approach this topic with careful deliberation. For example, this year there is a Senate bill that adds demand deposits to the list of eligible investments. Those eligible investments are safe know accounts with long histories of stability and FDIC protection, which is critical for the investment of public funds.

We do not believe inflation protection is relevant because public entities seldom need to invest for the long term. If public entities were allowed to "invest" in precious metals (Gold for example) this investment would seriously lack many of the protections and stability factors critical for careful management of our public funds. Financial Institutions are rightfully hesitant to encourage the investment of taxpayer dollars in products such as precious metals.

Below I have attached an interesting graph. It is the history of Gold prices for the last 30 years. As you can see, with the exception of the past 10 years Gold has not been a good investment and in fact has not even kept up with inflation for the years 1975 through 2002.

Concerning the preservation of principal and the risks precious metals can have we simply need to look at history. For example in this graph, let's assume a public entity invested \$1,000,000.00 in late 1979 at \$750.00 per oz., knowing the money would be needed two years later. Two years later gold was at \$300.00 an oz. or a loss to the public entity of 70% of their principal with -0-income for the two years. I wouldn't call that inflation protection. Clearly this is an extreme example, but it makes the point.



Public entities priority and primary goal should always be the preservation of principal (Kansas Tax Payer Monies), not to chase a higher rate of return or inflation protection.

Thank you for your consideration. I would be happy to stand for questions at the appropriate time.