

Substitute for HOUSE BILL No. 2052

By Committee on Appropriations

2-14

1 AN ACT making and concerning appropriations for the fiscal years ending
2 June 30, 2017, June 30, 2018, June 30, 2019, [and] June 30, 2020, for
3 state agencies; authorizing certain transfers, capital improvement
4 projects and fees, imposing certain restrictions and limitations, and
5 directing or authorizing certain receipts, disbursements, procedures and
6 acts incidental to the foregoing; amending K.S.A. 2016 Supp. 74-
7 4914d, 74-4920, 75-2319 and 75-6706 and repealing the existing
8 sections; also repealing K.S.A. 2016 Supp. 75-2319d.
9

June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024 and June 30, 2025,

75-2263,

,75-4209

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

11 Section 1. (a) For the fiscal years ending June 30, 2017, June 30,
12 2018, June 30, 2019, and June 30, 2020, appropriations are hereby made,
13 restrictions and limitations are hereby imposed, and transfers, capital
14 improvement projects, fees, receipts, disbursements, procedures and acts
15 incidental to the foregoing are hereby directed or authorized as provided in
16 this act.

17 (b) The agencies named in this act are hereby authorized to initiate
18 and complete the capital improvement projects specified and authorized by
19 this act or for which appropriations are made by this act, subject to the
20 restrictions and limitations imposed by this act.

21 (c) This act shall not be subject to the provisions of K.S.A. 75-
22 6702(a), and amendments thereto.

23 (d) The appropriations made by this act shall not be subject to the
24 provisions of K.S.A. 46-155, and amendments thereto.

25 Sec. 2.

26 ABSTRACTERS' BOARD OF EXAMINERS

27 (a) On the effective date of this act, the expenditure limitation
28 established for the fiscal year ending June 30, 2017, by section 30(a) of
29 chapter 104 of the 2015 Session Laws of Kansas on the abstracters' fee
30 fund (016-00-2700-0100) of the abstracters' board of examiners is hereby
31 increased from \$23,348 to \$26,348.

32 (b) On the effective date of this act, or as soon thereafter as moneys
33 are available, the director of accounts and reports shall transfer \$1,995
34 from the abstracters' fee fund (016-00-2700-0100) of the abstracters' board
35 of examiners to the general fees fund (173-00-2197-2020) of the

1 fixed for employers joining within one year of the first entry date.

2 (15) Employer contributions shall in no way be limited by any other
3 act which now or in the future establishes or limits the compensation of
4 any member.

5 (16) Notwithstanding any provision of law to the contrary, each
6 participating employer shall remit quarterly, or as the board may otherwise
7 provide, all employee deductions and required employer contributions to
8 the executive director for credit to the Kansas public employees retirement
9 fund within three days after the end of the period covered by the
10 remittance by electronic funds transfer. Remittances of such deductions
11 and contributions received after such date are delinquent. Delinquent
12 payments due under this subsection shall be subject to interest at the rate
13 established for interest on judgments under K.S.A. 16-204(a), and
14 amendments thereto. At the request of the board, delinquent payments
15 which are due or interest owed on such payments, or both, may be
16 deducted from any other moneys payable to such employer by any
17 department or agency of the state.

18 ~~Sec.-80: {83.}~~ K.S.A. 2016 Supp. 75-2319 is hereby amended to read
19 as follows: 75-2319. (a) There is hereby established in the state treasury
20 the school district capital improvements fund. The fund shall consist of all
21 amounts transferred thereto under the provisions of subsection (c).

22 (b) In each school year, each school district which is obligated to
23 make payments from its capital improvements fund shall be entitled to
24 receive payment from the school district capital improvements fund in an
25 amount determined by the state board of education as provided in this
26 subsection.

27 (1) For general obligation bonds approved for issuance at an election
28 held prior to July 1, 2015, the state board of education shall:

29 (A) Determine the amount of the assessed valuation per pupil (AVPP)
30 of each school district in the state and round such amount to the nearest
31 \$1,000. The rounded amount is the AVPP of a school district for the
32 purposes of this subsection (b)(1);

33 (B) determine the median AVPP of all school districts;

34 (C) prepare a schedule of dollar amounts using the amount of the
35 median AVPP of all school districts as the point of beginning. The
36 schedule of dollar amounts shall range upward in equal \$1,000 intervals
37 from the point of beginning to and including an amount that is equal to the
38 amount of the AVPP of the school district with the highest AVPP of all
39 school districts and shall range downward in equal \$1,000 intervals from
40 the point of beginning to and including an amount that is equal to the
41 amount of the AVPP of the school district with the lowest AVPP of all
42 school districts;

43 (D) determine a state aid percentage factor for each school district by

Sec. 83. K.S.A. 2016 Supp. 75-2263 is hereby amended to read as follows: 75-2263. (See attachment)

Sec. 84. K.S.A. 2016 Supp. 75-4209 is hereby amended to read as follows: 75-4209. (See attachment)

Renumber sections accordingly

1 balance in the state general fund for the previous fiscal year. Except as
2 provided further, upon making such certification, the director of the budget
3 shall authorize the director of accounts and reports to transfer 10% of
4 such ending balance from the state general fund to the budget stabilization
5 fund. No transfer to the budget stabilization fund shall occur in fiscal year
6 2018 unless the amount transferred in section 75(b), and amendments
7 thereto, is equal to the total amount of fiscal year 2017 employer
8 contributions that were decreased under sections 73 and 74, and
9 amendments thereto.

75-2263,

10 Sec. ~~82~~ {85.} K.S.A. 2016 Supp. 74-4914d, 74-4920, 75-2319, 75-
11 2319d and 75-6706 are hereby repealed.

,75-4209

12 Sec. ~~83~~ {86.} If any fund or account name described by words and
13 the numerical accounting code that follows such fund or account name do
14 not match, it shall be conclusively presumed that the legislature intended
15 that the fund or account name described by words is the correct fund or
16 account name, and such fund or account name described by words shall
17 control over a contradictory or incorrect numerical accounting code.

18 Sec. ~~84~~ {87.} Severability. If any provision or clause of this act or
19 application thereof to any person or circumstance is held invalid, such
20 invalidity shall not affect other provisions or applications of the act which
21 can be given effect without the invalid provision or application, and to this
22 end the provisions of this act are declared to be severable.

23 Sec. ~~85~~ {88.} Appeals to exceed expenditure limitations. (a) Upon
24 written application to the governor and approval of the state finance
25 council, expenditures from special revenue funds may exceed the amounts
26 specified in this act.

27 (b) This section shall not apply to the expanded lottery act revenues
28 fund, state economic development initiatives fund, the children's initiatives
29 fund, the state water plan fund or the Kansas endowment for youth fund,
30 or to any account of any of such funds.

31 Sec. ~~86~~ {89.} This act shall take effect and be in force from and after
32 its publication in the Kansas register.

- 75-2263. (a) ~~On and after the effective date of this act~~ Subject to the provisions of subsection (j), the board of trustees is responsible for the management and investment of that portion of state moneys available for investment by the pooled money investment board that is certified by the state treasurer to the board of trustees as being equivalent to the aggregate net amount received for unclaimed property and shall discharge the board's duties with respect to such moneys solely in the interests of the state general fund and shall invest and reinvest such moneys and acquire, retain, manage, including the exercise of any voting rights and disposal of investments of such moneys within the limitations and according to the powers, duties and purposes as prescribed by this section.
- (b) Moneys specified in subsection (a) shall be invested and reinvested to achieve the investment objective which is preservation of such moneys and accordingly providing that the moneys are as productive as possible, subject to the standards set forth in this ~~act~~ section. No such moneys shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.
- (c) In investing and reinvesting moneys specified in subsection (a) and in acquiring, retaining, managing and disposing of investments of the moneys, the board of trustees shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the moneys so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar moneys, considering the probable income as well as the probable safety of their capital.
- (d) In the discharge of such management and investment responsibilities the board of trustees may contract for the services of one or more professional investment advisors or other consultants in the management and investment of such moneys and otherwise in the performance of the duties of the board of trustees under this ~~act~~ section.
- (e) The board of trustees shall require that each person contracted with under subsection (d) to provide services shall obtain commercial insurance which provides for errors and omissions coverage for such person in an amount to be specified by the board of trustees. The amount of such coverage specified by the board of trustees shall be at least the greater of \$500,000 or 1% of the funds entrusted to such person up to a maximum of \$10,000,000. The board of trustees shall require a person contracted with under subsection (d) to provide services to give a fidelity bond in a penal sum as may be fixed by law or, if not so fixed, as may be fixed by the board of trustees, with corporate surety authorized to do business in this state. Such persons contracted with the board of trustees pursuant to subsection (d) and any persons contracted with such persons to perform the functions specified in subsection (b) shall be deemed to be fiduciary agents of the board of trustees in the performance of contractual obligations.
- (f) (1) Subject to the objective set forth in subsection (b) and the standards set forth in subsection (c), the board of trustees shall formulate and adopt policies and objectives for the investment and reinvestment of such moneys and the acquisition, retention, management and disposition of investments of the moneys. Such policies and objectives shall be in writing and shall include:
- (A) Specific asset allocation standards and objectives;
 - (B) establishment of criteria for evaluating the risk versus the potential return on a particular investment; and

(C) a requirement that all investment advisors, and any managers or others with similar duties and responsibilities as investment advisors, shall immediately report all instances of default on investments to the board of trustees and provide such board of trustees with recommendations and options, including, but not limited to, curing the default or withdrawal from the investment.

(2) The board of trustees shall review such policies and objectives, make changes considered necessary or desirable and readopt such policies and objectives on an annual basis.

(g) Except as provided in subsection (d) and this subsection, the custody of such moneys shall remain in the custody of the state treasurer, except that the board of trustees may arrange for the custody of such moneys as it considers advisable with one or more member banks or trust companies of the federal reserve system or with one or more banks in the state of Kansas, or both, to be held in safekeeping by the banks or trust companies for the collection of the principal and interest or other income or of the proceeds of sale. All such moneys shall be considered moneys in the state treasury for purposes of K.S.A. 75-6704, and amendments thereto.

(h) All interest or other income of the investments of the moneys invested under this section, after payment of any management fees, shall be deposited in the state treasury to the credit of the state general fund.

(i) ~~On or after the effective date of this act and periodically thereafter~~ Subject to the provisions of subsection (j), the state treasurer shall certify to the board of trustees a portion of state moneys available for investment by the pooled money investment board that is equivalent to the aggregate net amount received for unclaimed property. The state treasurer shall transfer the amount certified to the board of trustees.

(j) (1) During fiscal year 2017, the board of trustees shall liquidate all investments and reinvestments of state moneys certified by the state treasurer to the board of trustees pursuant to subsection (a).

(2) Upon receiving any such amounts from any such liquidation, the state treasurer shall remit the entire amount 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 and credit any earnings from the liquidation to the state general fund and credit the principal that had been invested and reinvested to the pooled money investment portfolio.

~~(j)~~(k) As used in this section:

(1) "Board of trustees" means the board of trustees of the Kansas public employees retirement system established by K.S.A. 74-4905, and amendments thereto.

(2) "Fiduciary" means a person who, with respect to the moneys invested under this section, is a person who:

(A) Exercises any discretionary authority with respect to administration of the moneys;

(B) exercises any authority to invest or manage such moneys or has any authority or responsibility to do so;

(C) provides investment advice for a fee or other direct or indirect compensation with respect to such moneys or has any authority or responsibility to do so;

(D) provides actuarial, accounting, auditing, consulting, legal or other professional services for a fee or other direct or indirect compensation with respect to such moneys or has any authority or responsibility to do so; or

(E) is a member of the board of trustees or of the staff of the board of trustees.

75-4209. Investment accounts; types; procedures; requirements; alternatives authorized; limitations; director of investments to invest and reinvest moneys; rules and regulations. (a) The director of investments may invest and reinvest state moneys eligible for investment which are not invested in accordance with K.S.A. 75-4237, and amendments thereto, in the following investments:

- (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 and securities of the United States sponsored enterprises which under federal law may be accepted as security for public funds, on and after the effective date of this act moneys available for investment under this subsection shall not be invested in mortgage-backed securities of such enterprises and of the government national mortgage association, except that any such mortgage-backed securities held prior to the effective date of this act may be held to maturity;
- (2) repurchase agreements with a bank or a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof and obligations and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds;
- (3) 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; and
- (4) corporate bonds which have received one of the two highest ratings by a nationally recognized investment rating firm.

(b) When moneys are available for deposit or investments, the director of investments may invest in SKILL act projects and bonds pursuant to K.S.A. 74-8920, and amendments thereto, and in state agency bonds and bond projects.

(c) When moneys are available for deposits or investments, the director of investments may invest in preferred stock of Kansas venture capital, inc., under terms and conditions prescribed by K.S.A. 74-8203, and amendments thereto, but such investments shall not in the aggregate exceed a total amount of \$10,000,000.

(d) When moneys are available for deposits or investments, the director of investments may invest in loans pursuant to legislative mandates, except that not more than the greater of 10% or \$140,000,000 of the state moneys shall be invested. The provisions of this subsection shall not apply to the provisions of subsection (m).

(e) Interest on investment accounts in banks is to be paid at maturity, but not less than annually.

(f) Investments made by the director of investments under the provisions of this section shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

(g) Investments under subsection (a) or (b) or under K.S.A. 75-4237, and amendments thereto, shall be for a period not to exceed four years, except that linked deposits authorized under the provisions of K.S.A. 2-3703 through 2-3707, and amendments thereto, shall not exceed a period of 10 years; agricultural production loan deposits authorized under the provisions of K.S.A. 2016 Supp. 75-4268 through 75-4274, and amendments thereto, shall not exceed a period of eight years and housing loan deposits authorized under K.S.A. 2016 Supp. 75-4276 through 75-4282, and amendments thereto, shall not exceed a period of five years or 20 years, as applicable pursuant to K.S.A. 2016 Supp. 75-4279, and amendments thereto.

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

(i) The director of investments shall not invest state moneys eligible for investment under subsection (a), in the municipal investment pool fund, created under K.S.A. 12-1677a, and amendments thereto.

(j) The director of investments shall not invest moneys in the pooled money investment portfolio in derivatives. As used in this subsection, "derivatives" means a financial contract whose value depends on the value of an underlying asset or index of asset values.

(k) Moneys and investments in the pooled money investment portfolio shall be invested and reinvested by the director of investments in accordance with investment policies developed, approved, published and updated on an annual basis by the board. Such investment policies shall include at a minimum guidelines which identify credit standards, eligible instruments, allowable maturity ranges, methods for valuing the portfolio, calculating earnings and yields and limits on portfolio concentration for each type of investment. Any changes in such investment policies shall be approved by the pooled money investment board. Such investment policies may specify the contents of reports, methods of crediting funds and accounts and other operating procedures.

(l) The board shall adopt rules and regulations to establish an overall percentage limitation on the investment of moneys in investments authorized under ~~paragraph (3)~~ of subsection (a)(3), and within such authorized investment, the board shall establish a percentage limitation on the investment in any single business entity.

(m)(1) During the fiscal year ending June 30, 2017, the director of the budget shall estimate on June 1, 2017, the amount of the unencumbered ending balance in the state general fund for fiscal year 2017. If the amount of such unencumbered ending balance in the state general fund is less than \$50,000,000, the director of the budget shall certify the difference between \$50,000,000, and the amount of such unencumbered ending balance to the pooled money investment board. Upon the liquidation of all investments and reinvestments of state moneys pursuant to K.S.A. 2016 Supp. 75-2263(j), and amendments thereto, and upon receipt of such certification by the director of the budget, during the fiscal year ending June 30, 2017, the pooled money investment board shall authorize the director of accounts and reports to transfer an amount equal to the amount certified by the director of the budget pursuant to this subsection from the pooled money investment portfolio to the state general fund. Upon receipt of such authorization, the director of accounts and reports shall make such transfer. The chairperson of the pooled money investment board shall transmit a copy of such authorization to the director of legislative research and the director of the budget.

(2) On or before June 30, 2018, June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024, the director of accounts and reports shall transfer an amount equal to $\frac{1}{7}$ of the amount transferred pursuant to subsection (m)(1) from the state general fund to the pooled money investment portfolio.

(3) During the fiscal year ending June 30, 2018, after any transfer made pursuant to subsection (m)(1), the pooled money investment board shall authorize the director of accounts and reports to transfer the remaining amount of all investments and reinvestments of state moneys liquidated pursuant to K.S.A. 2016 Supp. 75-2263(j), and amendments thereto, from the pooled money investment portfolio to the state general fund. Upon receipt of such authorization, the director of account and reports shall make such transfer. The

chairperson of the pooled money investment board shall transmit a copy of such authorization to the director of legislative research and the director of the budget.

(4) On or before June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024, and June 30, 2025, the director of accounts and reports shall transfer an amount equal to $\frac{1}{7}$ of the amount transferred pursuant to subsection (m)(3) from the state general fund to the pooled money investment portfolio.