Session of 2025

HOUSE BILL No. 2281

By Committee on Financial Institutions and Pensions

Requested by Representative Hoheisel on behalf of the 2024 Special Committee on Centralized Pooled Collateral and PMIB Modernization

2-5

AN ACT concerning public moneys; establishing the Kanbucks program; authorizing the state treasurer to invest in linked deposits with eligible financial institutions to provide linked deposit loans to eligible borrowers; abolishing the Kansas agricultural production loan deposit program, the Kansas housing loan deposit program, the extraordinary utility costs loan deposit program, the Kansas economic recovery loan deposit program and the city utility low-interest loan program; providing for the continuation of existing linked deposit loans; amending K.S.A. 2024 Supp. 75-4209 and 75-4237 and repealing the existing sections; also repealing K.S.A. 75-4268, 75-4269, 75-4270, 75-4271, 75-4272, 75-4273, 75-4274, 75-4275, 75-4276, 75-4277, 75-4278, 75-4279, 75-4280, 75-4281 and 75-4282 and K.S.A. 2024 Supp. 75-4283, 75-4284, 75-4285, 75-4286, 75-4287, 75-4288, 75-4289, 75-4290, 75-4291, 75-4292, 75-4293, 75-4294, 75-4295, 75-4296, 75-4297, 75-4298, 75-4299, 75-42,100, 75-42,101 and 75-42,102.

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

New Section 1. (a) The provisions of sections 1 through 8, and amendments thereto, shall be known and may be cited as the Kanbucks program.

(b) The Kanbucks program shall be for the purpose of providing incentives for the making of loans to eligible borrowers for:

(1) Agricultural production;

(2) housing and adult care home construction or development;

(3) business purposes; or

(4) extraordinary natural gas costs incurred during the extreme winter weather event of February 2021.

New Sec. 2. For the purposes of the Kanbucks program:

(a) "Adult care home" means the same as defined in K.S.A. 39-923, and amendments thereto.

(b) "Director of investments" means the person appointed as the director of investments pursuant to K.S.A. 75-4222, and amendments thereto.

(c) "Eligible borrower" means any:

(1) Individual, limited liability agricultural company, limited agricultural partnership or family farm corporation as defined in K.S.A. 17-5903, and amendments thereto, involved in farming;

(2) person, firm or corporation building new houses or not-for-profit adult care homes or rehabilitating existing houses or not-for-profit adult care homes;

(3) individual or entity operating a business primarily for commercial or agricultural purposes with not more than 200 full-time employees maintaining offices or operating facilities and transacting business in the state of Kansas and is not an individual obtaining a loan primarily for personal, family or household purposes; or

(4) wholesale natural gas customer located in the state of Kansas that incurs extraordinary natural gas costs due to the extreme winter weather event of February 2021 and is not an individual obtaining a loan for personal, family or household purposes.

(c) "Eligible lending institution" means:

(1) A bank as defined in K.S.A. 75-4201, and amendments thereto, that agrees to participate in the program and is eligible to be a depository of state funds;

(2) a credit union as defined in K.S.A. 17-2231, and amendments thereto, that agrees to participate in the program and that provides securities acceptable to the pooled money investment board pursuant to article 42 of chapter 75 of the Kansas Statutes Annotated, and amendments thereto; or

(3) an institution of the farm credit system organized under the federal farm credit act of 1971 (12 U.S.C. § 2001), as in effect on July 1, 2025, that agrees to participate in the program and provides securities acceptable to the pooled money investment board pursuant to article 42 of chapter 75 of the Kansas Statutes Annotated, and amendments thereto.

(d) "House" means a single-family or multi-family dwelling that initially sells or is appraised at or below the average area purchase price safe harbor for the state of Kansas as established by the state treasurer through rules and regulations based on the requirements of section 143(e) of the federal internal revenue code for homes that are eligible for mortgage revenue bonds.

(e) "Linked deposit loan" or "loan" means a loan made by an eligible lending institution to an eligible borrower from the eligible lending institution's loan deposit as part of the program.

(f) "Loan deposit" means an investment account placed by the director of investments under the provisions of article 42 of chapter 75 of the Kansas Statutes Annotated, and amendments thereto, with an eligible lending institution for the purpose of carrying out the intent of the program.

(g) "Loan deposit loan package" means the forms provided by the state treasurer for the purpose of applying for a loan deposit.

(h) "Program" means the Kanbucks program.

New Sec. 3. (a) The state treasurer is hereby authorized to invest in linked deposits. Except as provided in subsection (c), the total amount so deposited at any one time shall not exceed 5% of the pooled money investment portfolio. Such deposits shall be used for linked deposits to eligible borrowers. Linked deposit loans may be made to eligible borrowers from such aggregate deposits. The state treasurer may disseminate information and provide economic recovery loan deposit loan packages to the lending institutions eligible for participation in the program. A loan deposit loan package shall be completed by the eligible borrower before being forwarded to the eligible lending institution for consideration.

(b) (1) No single linked deposit loan to an eligible borrower for agricultural production or business purposes shall exceed $2,500,000.

(2) No loan for a house shall be amortized for a period of more than 15 years.

(c) The state treasurer may invest additional amounts in linked deposits beyond the limit established in subsection (a) if the state treasurer receives approval from the pooled money investment board for each such additional linked deposit.

New Sec. 4. (a) An eligible lending institution that agrees to receive a loan deposit shall accept and review applications for loans from eligible borrowers. The lending institution shall apply all usual lending standards to determine the credit worthiness of an eligible borrower.

(b) An eligible borrower shall certify on the loan application the purpose for which such loan will be used.

(c) The eligible lending institution may approve or reject a loan application based on the lending institution's evaluation of the eligible borrower, the amount of the loan and other appropriate considerations.

(d) The eligible lending institution shall forward to the state treasurer, an approved loan deposit loan package in the manner prescribed by the state treasurer. The package shall include information regarding the amount of the loan requested by each eligible borrower and such other information regarding each eligible borrower the state treasurer requires, including a certification by the applicant that such applicant is an eligible borrower.

New Sec. 5. (a) The state treasurer may accept or reject a loan deposit loan package based on the state treasurer's evaluation of whether the loan to the eligible borrower meets the purposes of this program. If sufficient funds are not available for a loan deposit, then the applications may be considered in the order received when funds are once again available

subject to a review by the eligible lending institution.

(b) Upon acceptance, the state treasurer shall certify to the director of investments the amount required for such loan deposit loan package and the director of investments shall place a loan deposit in the amount certified by the state treasurer with the eligible lending institution at an interest rate that is 2% below the market rate provided in K.S.A. 75-4237, and amendments thereto, and that shall be recalculated on the first business day of January and July of each year using the market rate then in effect. The minimum interest rate shall be 0.25%, if the market rate is below 2.25%. When necessary, the state treasurer may request the director of investments to place such loan deposit with the eligible lending institution prior to acceptance of a loan deposit loan package.

(c) The eligible lending institution shall enter into a loan deposit agreement with the state treasurer. Such agreement shall include requirements necessary to implement the purposes of the program. Such requirements shall include an agreement by the eligible lending institution to lend an amount equal to the loan deposit to eligible borrowers at an interest rate that is not more than 3% greater than the interest rate on loan deposits as provided in subsection (b). Such rate shall be recalculated on the first business day of January of each year using the market rate then in effect. The agreement shall include provisions for the loan deposit to be placed for a period of time not to exceed 10 years that is considered appropriate in coordination with the underlying loan. The agreement shall include provisions for the reduction of the loan deposit in an amount equal to any payment of loan principal by the eligible borrower.

New Sec. 6. Upon the placement of an economic recovery loan deposit with an eligible lending institution, such eligible lending institution shall fund the loan to each approved eligible borrower listed in the economic recovery deposit loan package in accordance with the economic recovery loan deposit agreement between the eligible lending institution and the state treasurer. The loan shall be at a rate as provided in section 5(c), and amendments thereto. The eligible lending institution shall submit in the manner prescribed by the state treasurer a certification of compliance with this section.

New Sec. 7. The state and the state treasurer shall not be liable to any eligible lending institution in any manner for payment of the principal or interest on a loan to an eligible borrower. Any delay in payments or default on the part of an eligible borrower does not in any manner affect the loan deposit agreement between the eligible lending institution and the state treasurer.

New Sec. 8. (a) The state treasurer shall adopt rules and regulations to administer and carry out the provisions of the program.

(b) The state treasurer shall submit an annual report outlining the

status of the program to the governor and the legislature.

New Sec. 9. Any outstanding linked deposit loans in existence on July 1, 2025, under the provisions of K.S.A. 75-4268 through 75-4274 or 75-4290 through 75-4296, prior to their repeal, shall be continued under the terms of the linked deposit loan program in existence prior to the repeal of such statutes.

Sec. 10. K.S.A. 2024 Supp. 75-4209 is hereby amended to read as follows: 75-4209. (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. 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. 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. 75-4279, and amendments thereto~~.

(h) Investments in securities under 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 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 or before June 27, 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. 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) (A) On or before June 30, 2019, the director of accounts and reports shall transfer an amount equal to $^1/_6$ of the amount transferred pursuant to subsection (m)(1) from the state general fund to the pooled money investment portfolio.

(B) On or before June 30, 2020, the director of accounts and reports shall transfer an amount equal to $^1/_2$ of the amount transferred pursuant to subsection (m)(1), reduced by the amount transferred pursuant to subsection (m)(2)(A) from the state general fund to the pooled money investment portfolio.

(C) On or before June 30, 2021, and June 30, 2022, during each such fiscal year, the director of accounts and reports shall transfer an amount equal to $^1/_2$ of the amount transferred pursuant to subsection (m)(1), reduced by the amount transferred pursuant to subsection (m)(2)(A) and (m)(2)(B) 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. 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 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.

(4) (A) On or before June 30, 2019, the director of accounts and reports shall transfer an amount equal to $^1/_6$ of the amount transferred pursuant to subsection (m)(3) from the state general fund to the pooled money investment portfolio.

(B) On or before June 30, 2020, the director of accounts and reports shall transfer an amount equal to $^1/_2$ of the amount transferred pursuant to subsection (m)(3), reduced by the amount transferred pursuant to subsection (m)(4)(A) from the state general fund to the pooled money investment portfolio.

(C) On or before June 30, 2021, and June 30, 2022, during each such fiscal year, the director of accounts and reports shall transfer an amount equal to $^1/_2$ of the amount transferred pursuant to subsection (m)(3), reduced by the amount transferred pursuant to subsection (m)(4)(A) and (m)(4)(B) from the state general fund to the pooled money investment portfolio.

Sec. 11. K.S.A. 2024 Supp. 75-4237 is hereby amended to read as follows: 75-4237.(a) The director of investments shall accept requests from banks interested in obtaining investment accounts of state moneys. Such requests may be submitted any business day and shall specify the dollar amount and maturity. The director of investments is authorized to award the investment account to the requesting bank at the market rate established by subsection (b). Awards of investment accounts pursuant to this section shall be subject to investment policies of the pooled money investment board. When multiple requests are received and are in excess of the amount available for investment that day for any maturity, awards shall be made available in ascending order from smallest to largest dollar amount requested, subject to investment policies of the board.

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

(c) (1) Notwithstanding the provisions of this section, linked deposits made pursuant to the provisions of K.S.A. 2-3703 through 2-3707, and amendments thereto, shall be at an interest rate that is 2% less than the market rate determined under this section and that shall be recalculated on

the first business day of each calendar year using the market rate then in effect.

(2) Notwithstanding the provisions of this section, ~~agricultural production loan deposits~~ *linked deposit loans* made pursuant to the provisions of ~~K.S.A. 75-4268 through 75-4274~~ *sections 1 through 8*, and amendments thereto, shall be at an interest rate that is 2% less than the market rate provided by this section and that shall be recalculated on the first business day of each calendar year using the market rate then in effect.

~~(3) Notwithstanding the provisions of this section, loan deposits made pursuant to the city utility low-interest loan program shall be at an interest rate that is 2% less than the market rate provided by this section and that shall be recalculated on the first business day of each calendar year using the market rate then in effect.~~

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

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

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

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

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

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

(e) The pooled money investment board shall establish procedures for

administering reciprocal deposit programs in its investment policies, as authorized by K.S.A. 75-4232, and amendments thereto.

Sec. 12. K.S.A. 75-4268, 75-4269, 75-4270, 75-4271, 75-4272, 75-4273, 75-4274, 75-4275, 75-4276, 75-4277, 75-4278, 75-4279, 75-4280, 75-4281 and 75-4282 and K.S.A. 2024 Supp. 75-4209, 75-4237, 75-4283, 75-4284, 75-4285, 75-4286, 75-4287, 75-4288, 75-4289, 75-4290, 75-4291, 75-4292, 75-4293, 75-4294, 75-4295, 75-4296, 75-4297, 75-4298, 75-4299, 75-42,100, 75-42,101 and 75-42,102 are hereby repealed.

Sec. 13. This act shall take effect and be in force from and after its publication in the statute book.