Invest Kansas Tax Dollars Back into Kansas

Public Funds Modernization Package

The goal of this legislation is to potentially drive up to $1 billion of Kansas tax dollars back into the Kansas economy! Fort Hays State University's Docking Institute of Public Affairs released a study that emphasizes the importance of keeping public funds with local banks. It showed that when public funds are invested locally, they are then loaned to Kansas borrowers which can lead to an increase of economic development capital, income, and associated tax revenues for both local governments and the state overall. This legislation will simplify and strengthen the process for banks and government entities to work together when investing Kansas tax dollars. **Per the study, returning $1 billion could generate $130 million in additional revenue to Kansas state and local governments.**

Local Government Investment Modernization

- Create a Single Bank Collateral Pool Program
  - *Streamline the process for a bank to pledge their collateral for the public deposits it holds, making a more effective and safer process. Safely freeing up collateral allows banks to put more capital to work back in their communities!*
  - *State Treasurer will oversee the program which will be required for all banks and governmental units. He will verify the collateralization, which will increase safety of the public funds.*
  - *Increase the requirements to collateralize the funds from 100% to at least 102%.*
  - *Require that if a bank is ever found to be under collateralized, they have 5 days to adjust the collateral or they will receive a fine and/or penalty. [There is no fine or timeline to adjust collateral under the current law.]*
- Create an Oversight Process for Public Funds Investments
  - *Require government entities to show proof of local bank bids before entering the MIP.*
  - *Require government entities with expanded investment powers to report their portfolio holdings and investment services costs to the PMIB and Legislature annually.*
  - *Create a complaint process to the Treasurer's Office who will investigate any claims and if there is a violation, that will be reported to the Attorney General. The first violation requires additional educational training. Every violation after will receive a fine of up to $500. [There is no complaint, investigation, or penalty process under the current law.]*
- Bidding Timeline
  - *Require governmental entities to give a bank 2 business days to respond to a bid. [There is no timeline under the current law.]*
- Clarify Rate Negotiation Ability
  - *Current law allows government entities and banks to negotiate their own terms. Plainly stating this in the law will address any confusion or misinterpretation.*
- Use of Investment Advisors
  - *Clarify that when government entities work with third party investment advisors to assist them with the bidding process, the investment advisor cannot also be a bidder of those funds.*

State Government Investment Modernization

- Add Flexibility to the PMIB Bank CD Program Rate
  - *Give the PMIB flexibility when setting the Bank CD Program Rate to better adjust to market conditions. This will make the program more viable for banks to accept these deposits and increase the percentage of PMIB funds invested in Kansas banks—instead of sending the funds of state!*

KANSAS BANKERS ASSOCIATION

CBA Community Bankers Association of Kansas