Proposed amendment to HB 2152
House Committee on Financial Institutions and Pensions
March 3, 2025

Prepared by Office of Revisor of Statutes

Session of 2025

HOUSE BILL No. 2152

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

1-29

AN ACT concerning public moneys; relating to the deposit and investment thereof; ~~authorizing~~ financial institutions designated as public depositaries to secure governmental unit deposits in excess of the amount insured or guaranteed by the federal deposit insurance corporation by utilizing a public moneys pooled method of securities; directing the state treasurer to establish procedures therefor; requiring financial institutions to make certain reports upon the request of a governmental unit; prohibiting investment advisers that execute bids for the investment of public moneys from engaging in a principal transaction with a governmental unit directly related to such public moneys; allowing [~~municipal bond proceeds and~~] governmental unit deposits to be invested in a financial institution at a rate agreed upon by the governmental unit and the financial institution; [~~equalizing the bank investment rate with the municipal investment pool rate;~~] requiring certification from governmental units that deposits in the municipal investment pool fund were first offered to a bank, savings and loan association or savings bank in the preceding year; allowing eligible financial institutions to file a complaint with the state treasurer upon the failure of a governmental unit to comply with ~~such certification~~; establishing the investment rate for the pooled money investment board bank certificate of deposit program; amending K.S.A. 9-1402, [~~10-131,~~] 12-1675, [~~12-1675a and~~]12-1677a and K.S.A. 2024 Supp. 75-4237 and repealing the existing sections.

mandating

strike in line 11

strike in lines 13-14

certain requirements

and 12-1677b

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

New Section 1. (a) For purposes of sections 1 through 3, and amendments thereto:

(1) "Administrator" means the treasurer or the treasurer's designee.

(2) "Governmental unit" means the state or any county, municipality or other political subdivision thereof.

(3) "Public moneys" means the same as defined in K.S.A. 9-701, and amendments thereto.

(4) "Public moneys pooled method" or "pool of securities" means shares of investment companies registered under the federal investment

company act of 1940 when the investment companies' assets are limited to obligations that are eligible for investment by the bank, savings and loan association or savings bank and limited by their prospectuses to owning securities enumerated in K.S.A. 9-1402(c), and amendments thereto.

(5) "Treasurer" means the state treasurer.

(b) ~~As an alternative to the requirements to~~ secure the deposit of public moneys in excess of the amount insured or guaranteed by the federal deposit insurance corporation pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto, ~~a~~ bank, savings and loan association or savings bank designated as a public depositary ~~may~~ secure the deposits of one or more governmental units by depositing, pledging or granting a security interest in a pool of securities to secure the repayment of all public moneys deposited in such bank, savings and loan association or savings bank by such governmental units and not otherwise secured pursuant to law, if at all times the aggregate market value on such pool of securities so deposited, pledged or in which a security interest is granted is equal to at least 102% of the amount on deposit that is in excess of the amount so insured or guaranteed. Each such bank, savings and loan association or savings bank shall carry on such bank's or association's accounting records a general ledger or other appropriate accounting of the total amount of all public moneys to be secured by the pool of securities as determined at the opening of each business day and the aggregate market value of the pool of securities deposited, pledged or in which a security interest is granted to secure such public moneys.

(c) The treasurer may serve as the administrator with respect to a public moneys pooled method or may designate a bank, savings and loan association, savings bank, trust company or other qualified firm, corporation or association that is authorized to transact business in this state to serve as the administrator. ~~Fees and expenses~~ of such administrator shall be paid by the ~~banks, savings and loan association or savings bank utilizing the public moneys pooled method~~.

(d) ~~If a bank, savings and loan association or savings bank elects to secure the deposit of public moneys through the use of the public moneys pooled method, such bank, savings and loan association or savings bank shall notify the administrator in writing that such bank, savings and loan association or savings bank has elected to utilize the public funds pooled method and the proposed effective date of such notification.~~

~~(e)~~ The public moneys pooled method shall not be utilized by any bank, savings and loan association or savings bank unless the treasurer establishes a public moneys pooled method in accordance with this section or designates an administrator pursuant to subsection (c).

(j) ~~(f)~~ This section shall take effect on and after January 1, 2026.

New Sec. 2. (a) When the ~~treasurer~~ determines that a bank, savings

A bank, savings and loan association or savings bank designated as a public depositary shall

by the public moneys pooled method. A

shall

The administrator shall not accept public deposits from a governmental unit while administering the public moneys pooled method pursuant to section 1, and amendments thereto. The administrator shall submit a formal conflict of interest document in a manner prescribed by the treasurer. Expenses

office of the state treasurer

Insert attachment #1

administrator

and loan association or savings bank has experienced a default, the ~~treasurer~~ shall:

(1) Ascertain the aggregate amounts of public moneys secured pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto, and deposited in such bank, savings and loan association or savings bank that has defaulted, as disclosed by the records of such bank, savings and loan association or savings bank. The ~~treasurer~~ shall determine for each governmental unit for which public moneys are deposited in the defaulting bank, savings and loan association or savings bank the accounts and amount of federal deposit insurance or guarantee that is available for each account. The ~~treasurer~~ shall then determine for each such governmental unit the amount of public moneys not insured or guaranteed by the federal deposit insurance corporation and the amount of public moneys secured by a pool of securities pledged ~~[deposited or in which a security interest has been granted to secure such public moneys]~~. Upon completion of such determination, the ~~treasurer~~ shall provide each such governmental unit with a statement that reports the amount of public moneys deposited by such governmental unit in the defaulting bank, savings and loan association or savings bank, the amount of public moneys that may be insured or guaranteed by the federal deposit insurance corporation and the amount of public moneys secured by a pool of securities, or any combination thereof, pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto. Each such governmental unit shall verify the information in such report with such governmental unit's records within 10 business days after receiving the report and information from the ~~treasurer~~; and

(2) shall repay each governmental unit for the public moneys not insured or guaranteed by the federal deposit insurance corporation deposited in the bank, savings and loan association or savings bank by the governmental unit upon receipt of a verified report from such governmental unit ~~and~~ if the defaulting bank, savings and loan association or savings bank is to be liquidated or if for any other reason the ~~treasurer~~ determines that public moneys are not likely to be promptly paid upon demand. In the event that the amount of the deposit guaranty bond or the proceeds of the securities held by the ~~treasurer~~ after liquidation is insufficient to cover all public moneys not insured or guaranteed by the federal deposit insurance corporation for all governmental units served by the ~~treasurer~~, the ~~treasurer~~ shall pay out to each governmental unit available amounts pro rata in accordance with the respective public moneys not insured or guaranteed by the federal deposit insurance corporation for each such governmental unit.

(b) In the event that a federal deposit insurance agency is appointed and acts as a liquidator or receiver of any bank, savings and loan

administrator

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strike

administrator

. The administrator may liquidate the securities pledged for immediate distribution

administrator

administrator

Any liquidation occurring under the provisions of this section shall conform to the procedures established in this section.

association or savings bank under state or federal law, the duties under this section that are specified to be performed by the ~~treasurer~~ in the event of default may be delegated to and performed by such federal deposit insurance agency.

(c) This section shall take effect on and after January 1, 2026.

New Sec. 3. (a) A bank, savings and loan association or savings bank, upon the request of a governmental unit, shall report as of the date of such request the amount of public moneys deposited in such bank, savings and loan association or savings bank that is not insured or guaranteed by the federal deposit insurance corporation by:

(1) The governmental unit making the request; and

(2) all other governmental units [~~and~~] secured pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto, and the aggregate market value of the pool of securities deposited, pledged or in which a security interest has been granted to secure public moneys held by the bank, savings and loan association or savings bank, including those public moneys deposited by the governmental unit.

(b) A qualified trustee, upon the request of a governmental unit, shall report as of the date of such request the aggregate market value of the pool of securities deposited, pledged or in which a security interest has been granted by the bank, savings and loan association or savings bank and provide an itemized list of the securities in such pool. The governmental unit shall specify the date on which such report shall be made by such qualified trustee.

(c) This section shall take effect on and after January 1, 2026.

New Sec. 4. (a) An investment adviser that executes bids for the investment of public moneys on behalf of a governmental unit shall not be permitted to engage in a principal transaction with the governmental unit that is the same or directly related to the issue of securities or financial product for which the investment adviser is providing or has provided advice. Nothing in this section shall prevent governmental units from engaging with a federally registered investment adviser.

(b) For purposes of this section:

(1) "Governmental unit" means the state or any county, municipality or other political subdivision thereof; and

(2) "investment adviser" means the same as defined in K.S.A. 17-12a102, and amendments thereto.

Sec. 5. K.S.A. 9-1402 is hereby amended to read as follows: 9-1402. (a) Before any deposit of public moneys or funds shall be made by any ~~municipal corporation or quasi-municipal corporation~~ *governmental unit* of the state of Kansas with any bank, savings and loan association or savings bank, such ~~municipal or quasi-municipal corporation~~ *governmental unit* shall obtain security for such deposit in one of the

administrator

the total amount for

Such report shall be made on or before the date the governmental unit specifies.

New Sec. 5. (a) If an eligible financial institution has a good faith reason to believe that a governmental entity has not acted in compliance with K.S.A. 12-1675, 12-1677a or 12-1677b, and amendments thereto, the eligible financial institution may file a complaint with the state treasurer in writing and signed by an executive officer of the eligible financial institution. The complaint shall be submitted in the form prescribed by the state treasurer.

(b) Each filed complaint shall be confidential, not subject to the open records act, K.S.A. 45-215 et seq., and amendments thereto, and not be disclosed except as provided in this section. The provisions of this subsection shall expire on July 1, 2030, unless the legislature reviews and acts to continue such provisions pursuant to K.S.A. 45-229, and amendments thereto, prior to July 1, 2030.

(c) If the state treasurer determines that such verified complaint does allege facts, directly or upon information and belief, sufficient to constitute a violation of the provisions of K.S.A. 12-1675, 12-1677a or 12-1677b, and amendments thereto, the state treasurer promptly shall investigate the alleged violation.

(d) If, after the investigation the state treasurer finds that probable cause does not exist to believe the allegations of the complaint, the state treasurer shall dismiss the complaint. If after such preliminary investigation the state treasurer finds that probable cause exists to believe the allegations of the complaint, such complaint shall no longer be confidential and may be disclosed. Upon making any such finding, the state treasurer shall fix a time for a hearing on the matter, which shall be not more than 30 days after such finding. In either event the state treasurer shall notify the complainant and respondent of the state treasurer's determination.

(e) The state treasurer shall notify the attorney general and the pooled money investment board of any apparent violation of law that is discovered during the course of any such investigation.

(f) Any governmental entity that knowingly violates the provisions of K.S.A. 12-1675, 12-1677a or 12-1677b, and amendments thereto, for a first violation shall be required to complete a training approved by the state treasurer concerning the requirements of K.S.A. 12-1675, 12-1677a or 12-1677b, and amendments thereto. For a second and each succeeding violation the governmental entity shall be liable for the payment of a civil penalty in an action brought by the attorney general, in a sum set by the court of not to exceed $500 for each violation. Any civil penalty sued for and recovered hereunder by the attorney general shall be paid into the attorney general's open government fund.

Renumber sections accordingly

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~~. *Such* 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~~ *that* 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~~ *governmental unit* 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~~ *governmental unit* 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~~ *governmental unit* 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~~ *that* under federal law may be accepted as security for public funds;

(2) bonds of any ~~municipal corporation or quasi-municipal corporation~~ *governmental unit* of the state of Kansas ~~which~~ *that* 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~~ *governmental unit* of the state of Kansas;

(5) revenue bonds of any ~~municipal corporation or quasi-municipal corporation~~ *governmental unit* of the state of Kansas if approved by the

commissioner;

(6) temporary notes of any ~~municipal corporation or quasi-municipal corporation~~ *governmental unit* of the state of Kansas ~~which~~ *that* are general obligations of the ~~municipal or quasi-municipal corporation~~ *governmental unit* issuing ~~the same~~ *such temporary notes*;

(7) warrants of any ~~municipal corporation or quasi-municipal corporation~~ *governmental unit* of the state of Kansas the issuance of which is authorized by the state board of tax appeals and ~~which~~ *that* 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) *Such bank, savings and loan association or savings bank* ~~*may*~~ *secure the deposit of public moneys of one or more governmental units through* ~~*a pool of eligible securities established by such bank, savings and loan association or savings bank with a custodian to be held subject to the order of the state treasurer or an administrator designated by the state treasurer*~~ *pursuant to section 1, and amendments thereto, for the benefit of the governmental unit having public moneys with such bank, savings and loan association or savings bank as provided in section 1, and amendments thereto.*

shall

the public moneys pooled method

(e) 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~~ *governmental unit* 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)~~ *(c)* or such bonds are rated at least Aa by Moody's investors service or AA by Standard & Poor's corp.

~~(e)~~*(f)* 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.

(g) For purposes of this section, "governmental unit" means the state or any county, municipality or other political subdivision of the state.

~~[Sec. 6. K.S.A. 10-131 is hereby amended to read as follows: 10-131. (a) The governing body of any municipality, as defined in K.S.A. 10-101, and amendments thereto, which has issued or may issue bonds or temporary notes for any purpose, is hereby authorized and empowered to invest any portion of the proceeds of such bonds, notes or funds held~~

Remove K.S.A. 10-131 from the bill

pursuant to the resolution or ordinance authorizing the issuance of such bonds or notes, which is not currently needed, in:

(1) Investments authorized by K.S.A. 12-1675, and amendments thereto, in the manner prescribed therein;

(2) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto;

(3) direct obligations of the United States government or any agency thereof;

(4) the municipality's temporary notes issued pursuant to K.S.A. 10-123, and amendments thereto;

(5) interest-bearing time deposits in commercial banks located in the county or counties in which the municipality is located *at a rate agreed upon by the governing body and the eligible financial institution*;

(6) subject to the limitations provided in subsection (b), obligations of the federal national mortgage association, federal home loan banks, the federal home loan mortgage corporation or the government national mortgage association;

(7) repurchase agreements for securities described in *paragraph* (3) or (6);

(8) investment agreements with or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation;

(9) investments in shares or units of a money market fund or trust the portfolio of which is comprised entirely of securities described in *paragraph* (3) or (6);

(10) receipts evidencing ownership interests in securities or portions thereof described in *paragraph* (3) or (6);

(11) municipal bonds or other obligations issued by any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which are general obligations of the municipality issuing the same; or

(12) bonds of any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in *paragraph* (3) or (6). The interest received on any such investment shall upon receipt thereof be set aside and used for the purpose of paying interest on the bonds or notes issued or used for paying the cost of the project for which the bonds or notes were issued.

(b) No moneys authorized to be invested pursuant to subsection (a) shall be invested in a derivative. For the purposes of this section, "derivative" means any investment instrument whose market price is

~~derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.~~

~~*(c) The investments authorized by subsections (a)(2) through (12) shall be utilized only if the banks, savings and loan associations and savings banks eligible for investments authorized in K.S.A. 12-1675(b)(2), and amendments thereto, are not able to make the investments authorized under K.S.A. 12-1675(b)(2), and amendments thereto, available to the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in K.S.A. 12-1675a(g), and amendments thereto.*~~]

Sec. 7. K.S.A. 12-1675 is hereby amended to read as follows: 12-1675. (a) The governing body of any county, city, township, school district, area vocational-technical school, community college, firemen's relief association, community mental health center, community facility for people with intellectual disability or any other governmental entity, unit or subdivision in the state of Kansas having authority to receive, hold and expend public moneys or funds may invest any moneys ~~which~~ *that* are not immediately required for the purposes for which the moneys were collected or received, and the investment of which is not subject to or regulated by any other statute.

(b) Such moneys shall be invested only:

(1) In temporary notes or no-fund warrants issued by such investing governmental unit;

(2) in savings deposits, demand deposits, time deposit, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years:

(A) In banks, savings and loan associations and savings banks~~, which~~ *that* have main or branch offices located in such investing governmental unit; ~~or~~

(B) if no main or branch office of a bank, savings and loan association or savings bank is located in such investing governmental unit, then in banks, savings and loan associations and savings banks~~, which~~ *that* have main or branch offices in the county or counties in which all or part of such investing governmental unit is located*; or*

(C) in selecting a bank, savings and loan association or savings bank pursuant to paragraphs (A) and (B), the investing governmental unit may accept any rate agreed upon by the governmental unit and the eligible bank, savings and loan association or savings bank. If a bank, savings and loan association or savings bank eligible for an investment deposit pursuant to paragraphs (A) and (B) will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in K.S.A. 12-1675a(g), and amendments

thereto, the investing governmental unit shall select one or more of such eligible banks, savings and loan associations or savings banks;

(3) in repurchase agreements with:

(A) Banks, savings and loan associations and savings banks, which have main or branch offices located in such investing governmental unit, for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof; or

(B) (i) if no main or branch office of a bank, savings and loan association or savings bank, is located in such investing governmental unit; or

(ii) if no such bank, savings and loan association or savings bank having a main or branch office located in such investing governmental unit is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in ~~subsection (g) of~~ K.S.A. 12-1675a*(g)*, and amendments thereto, then such repurchase agreements may be entered into with banks, savings and loan associations or savings banks which have main or branch offices in the county or counties in which all or part of such investing governmental unit is located; or

(C) if no bank, savings and loan association or savings bank, having a main or branch office in such county or counties is willing to enter into such an agreement with the investing governmental unit at an interest rate equal to or greater than the investment rate, as defined in ~~subsection (g) of~~ K.S.A. 12-1675a*(g)*, and amendments thereto, then such repurchase agreements may be entered into with banks, savings and loan associations or savings banks located within this state.

(D) In selecting a bank, savings and loan association or savings bank pursuant paragraphs (A), (B) and (C), the governmental unit may accept any rate agreed upon by the governmental unit and the eligible bank, savings and loan association or savings bank;

(4) in direct obligations of or obligations that are insured as to principal and interest by the United States or any agency thereof, not including mortgage-backed securities with maturities as the governing body shall determine, but not exceeding two years. Such investment transactions shall only be conducted with*:*

(A) Banks, savings and loan associations and savings banks;

(B) the federal reserve bank of Kansas City, Missouri; or ~~with~~

(C) primary government securities dealers which report to the market report division of the federal reserve bank of New York, or any broker-dealer engaged in the business of selling government securities ~~which~~ *that* is registered in compliance with the requirements of section 15 or 15C of the securities exchange act of 1934 and registered pursuant to K.S.A. 17-12a401, and amendments thereto;

(5) in the municipal investment pool fund established in K.S.A. 12-1677a, and amendments thereto;

(6) in the investments authorized and in accordance with the conditions prescribed in K.S.A. 12-1677b, and amendments thereto;

(7) in multiple municipal client investment pools managed by the trust departments of banks ~~which~~ *that* have main or branch offices located in the county or counties where such investing governmental unit is located or with trust companies incorporated under the laws of this state ~~which~~ *that* have contracted to provide trust services under the provisions of K.S.A. 9-2107, and amendments thereto, with banks ~~which~~ *that* have main or branch offices located in the county or counties in which such investing governmental unit is located. Public moneys invested under this paragraph shall be secured in the same manner as provided for under K.S.A. 9-1402, and amendments thereto. Pooled investments of public moneys made by trust departments under this paragraph shall be subject to the same terms, conditions and limitations as are applicable to the municipal investment pool established by K.S.A. 12-1677a, and amendments thereto; or

(8) municipal bonds or other obligations issued by any municipality of the state of Kansas as defined in K.S.A. 10-1101, and amendments thereto, ~~which~~ *that* are general obligations of the municipality issuing the same.

(c) The investments authorized in ~~paragraphs (4), (5), (6), (7) or (8) of~~ subsection (b)*(4), (5), (6), (7) or (8)* shall be utilized only if the banks, savings and loan associations and savings banks eligible for investments authorized in ~~paragraph (2) of~~ subsection (b)*(2)*, cannot or will not make the investments authorized in ~~paragraph (2) of~~ subsection (b)*(2)* available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in ~~subsection (g) of~~ K.S.A. 12-1675a*(g)*, and amendments thereto.

~~(d) In selecting a depository pursuant to paragraph (2) of subsection (b), if a bank, savings and loan association or savings bank eligible for an investment deposit thereunder has an office located in the investing governmental unit and such financial institution will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments thereto, and such financial institution otherwise qualifies for such deposit, the investing governmental unit shall select one or more of such eligible financial institutions for deposit of funds pursuant to this section. If no such financial institution qualifies for such deposits, the investing governmental unit may select for such deposits one or more eligible banks, savings and loan associations or savings banks which have offices in the county or counties in which all or a part of such investing~~

~~governmental unit is located which will make such deposits available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (g) of K.S.A. 12-1675a, and amendments thereto, and which otherwise qualify for such deposits.~~

~~(e)~~*(d)* (1) All security purchases and repurchase agreements shall occur on a delivery versus payment basis.

(2) All securities, including those acquired by repurchase agreements, shall be perfected in the name of the investing governmental unit and shall be delivered to the purchaser or a third-party custodian which may be the state treasurer.

~~(f)~~*(e)* Public moneys deposited pursuant to subsection (b)(2)~~ of K.S.A. 12-1675, and amendments thereto,~~ by the governing body of any governmental unit listed in subsection (a)~~ of K.S.A. 12-1675, and amendments thereto,~~ through a selected bank, savings and loan association or savings bank ~~which~~ *that* is part of a reciprocal deposit program in which the bank, savings and loan association or savings bank:

(1) 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~~ *investing governmental unit*; and

(2) 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.

Such deposits shall not be treated as securities and need not be secured as provided in this or any other ~~act~~ *statute*.

(f) Public moneys deposited pursuant to subsection (b)(2) by the governing body of any investing governmental unit specified in subsection (a) through a selected bank, savings and loan association or savings bank ~~*may*~~ *be* ~~*invested in a pool of eligible securities established by such bank, savings and loan association or savings bank with a custodian to be held subject to the order of the state treasurer or an administrator designated by the state treasurer*~~ *pursuant to section 1, and amendments thereto, for the benefit of such investing governmental unit having public moneys with such bank, savings and loan association or savings bank as provided in section 1, and amendments thereto.*

~~Sec. 8. K.S.A. 12-1675a is hereby amended to read as follows: 12-1675a. As used in K.S.A. 12-1675, 12-1676, 12-1677, 12-1677a and 12-1677b, and amendments thereto:~~

~~(a) "Bank" means any bank incorporated under the laws of this state or any other state, or organized under the laws of the United States which has a main or branch office in this state;~~

~~(b) "savings and loan association" means any savings and loan~~

shall

secured by the public moneys pooled method

(g) In selecting a depository institution pursuant to subsection (b)(2), an investing governmental unit shall allow an eligible financial institution two business days to respond to the bid.

Remove K.S.A. 12-1675a from the bill

~~association incorporated under the laws of this state or any other state, or organized under the laws of the United States and which has a main or branch office in this state;~~

~~(c) "savings bank" means any savings bank organized under the laws of the United States and which has a main or branch office in this state;~~

~~(d) "municipality" includes each investing governmental unit under K.S.A. 12-1675, and amendments thereto;~~

~~(e) "main office" means the place of business specified in the articles of association, certificate of authority or similar document, where the business of the institution is carried on and which is not a branch;~~

~~(f) "branch" means any office within this state, other than the main office, that is approved by a federal or state supervisory agency at which deposits are received, checks paid or money lent. Branch does not include an automated teller machine, remote service unit or similar device or a loan production office; and~~

~~(g) "investment rate" means a rate which is the equivalent yield for United States government securities having a maturity date as published in the Wall Street Journal, nearest the maturity date for equivalent maturities. The 0-90 day rate shall be computed on the average effective federal funds rate as published by the federal reserve system for the previous week *set by the pooled money investment board for investment in the municipal investment pool fund. The rate shall be published daily by the pooled money investment board.*~~

Sec. 9. K.S.A. 12-1677a is hereby amended to read as follows: 12-1677a. (a) Moneys deposited by any municipality with the state treasurer for investment authorized in ~~paragraph (5) of subsection (b) of~~ K.S.A. 12-1675*(b)(5)*, and amendments thereto, shall be deposited in the municipal investment pool fund which is hereby created in the state treasury. The state treasurer shall provide the board a monthly record of the deposits and withdrawals of municipalities. Such record may include the amount of the deposit, the date of the deposit and such other information as the pooled money investment board may require.

(b) The director of investments may invest and reinvest moneys in the municipal investment pool fund in accordance with investment policies established by the pooled money investment board under K.S.A. 75-4232, and amendments thereto, and in accordance with K.S.A. 75-4234 and 75-4209, and amendments thereto.

(c) The director of investments shall apportion earnings and losses among the accounts of the depositors in the various investment options of the municipal investment pool in accordance with policies approved and published by the board. A statement for each municipality participating unit account showing deposits, withdrawals, earnings and losses distributions shall be provided monthly to the municipality. The director of

investments shall make comprehensive reports monthly to those municipalities participating in the municipal investment pool fund and to other interested parties requesting such reports. Such reports shall include a summary of transactions for the month, the current market value of the pooled money investment portfolio investments, the weighted average maturity of the portfolio, the original costs of the investments in the portfolio, including any fees associated with such investments and such other relevant information the director of investments may wish to include in such report.

(d) The municipal investment pool reserve fund is abolished effective July 1, 1996, and any unencumbered balance remaining therein shall be applied to net losses in the municipal investment pool fund. The municipal investment pool fund fee fund is abolished on July 1, 1997, and any unencumbered balance remaining therein shall be transferred to the pooled money investment portfolio fee fund and such amounts shall be applied to net losses, as of July 1, 1996, in the municipal investment pool fund.

(e) The pooled money investment board may adopt rules and regulations necessary for the administration and operation of the municipal investment pool fund and may enter into agreements with any municipality as to methods of deposits, withdrawals and investments.

(f) Deposits in the municipal investment pool fund: (1) May only be made for the same maturity as the maturity which is offered under ~~paragraph (2) of subsection (b) of~~ K.S.A. 12-1675*(b)(2)*, and amendments thereto; ~~and~~ (2) upon the maturity of such deposits, such moneys shall be offered for investment under ~~paragraph (2) of subsection (b) of~~ K.S.A. 12-1675*(b)(2)*, and amendments thereto, and may be reinvested in such fund only if the conditions contained in ~~subsection (c) of~~ K.S.A. 12-1675*(c)*, and amendments thereto, have been satisfied*; and (3) must be accompanied with a certification to prove compliance with K.S.A. 12-1675(c), and amendments thereto, and a listing of the banks, savings and loan associations and savings banks from which the governmental unit requested bids*[~~*in the preceding calendar year*~~]

strike in line 32

(g) Moneys and investments in the municipal investment pool fund shall be managed by the pooled money investment board in accordance with investment policies provided for in K.S.A. 75-4209, and amendments thereto. A copy of such published policies shall be distributed to all municipalities participating in the municipal investment pool fund and to other interested persons requesting a copy of such policies. The pooled money investment board shall not contract for management of investments by a money manager.

[~~*(h) If an eligible financial institution, pursuant to K.S.A. 12-1675, and amendments thereto, has a good faith reason to believe that a governmental entity has not acted in compliance with this section, the*~~

strike lines 41-43

~~*eligible financial institution may file a complaint with the state treasurer in writing and signed by an executive officer of the eligible financial institution. The complaint shall be submitted in the form prescribed by the state treasurer.*~~

strike lines 1-4

Sec. 9. K.S.A. 12-1677b is hereby amended to read as follows: 12-1677b. (See Attachment #2)

Sec. 10. 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~~ *investment* 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. *The maximum dollar amount invested in any one bank shall not exceed 2.5% of the bank certificate of deposit program*.

(b) *The investment rate shall be determined each business day by the director of investments, in accordance with any procedures established by the pooled money investment board, at an interest rate that is up to 2% less than the market rate provided by this section.*

(c) 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)~~*(d)* (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 made pursuant to the provisions of K.S.A. 75-4268 through 75-4274, 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)~~*(e)* (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)~~*(f)* 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. 11. K.S.A. 9-1402, [~~10-131,~~] 12-1675, [~~12-1675a and~~] 12-1677a and 12-1677b and K.S.A. 2024 Supp. 75-4237 are hereby repealed.

Sec. 12. This act shall take effect and be in force from and after its publication in the statute book.

The administrator shall be tasked with assessing and managing the sufficiency of the public moneys pooled method including, but not limited to, the compliance by a bank, savings and loan association or savings bank that the aggregate market value of the pool of securities of such bank, savings and loan association or savings bank is an amount not less than 102% of the total amount of public money or public funds less the portion of such public moneys or funds insured or guaranteed by the federal deposit insurance corporation and pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto. To fulfill the duties of sections 1 through 3, and amendments thereto, the treasurer may adopt rules and regulations to administer and implement the provisions of sections 1 through 3, and amendments thereto, including, but not limited to, rules and regulations to assess and manage the sufficiency of the public moneys pooled method.

(e) A bank, savings and loans association or savings bank in which public money or public funds are deposited may at any time substitute, exchange or release securities deposited if such substitution, exchange or release does not reduce the aggregate market value of the pool of securities to an amount that is less than 102% of the total amount of public money or public funds less the portion of such public moneys or funds insured or guaranteed by the federal deposit insurance corporation and pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto. A bank, savings and loan association or savings bank shall notify the administrator if additional collateral is required to be pledged due to an increase in deposits placed by the governmental unit. A bank, savings and loan association or savings bank shall notify the administrator if a bank, savings and loan association or savings bank desires to release collateral due to a reduction in governmental unit deposits.

(f) Each bank, savings and loan association or savings bank that satisfies its requirement to secure the deposit of public money or public funds in excess of the amount insured or guaranteed by the federal deposit insurance corporation by depositing, pledging or granting a security interest in a single pool of securities, or any combination thereof, shall, on or before the 10th day of each month, render to the administrator a statement showing as of the last business day of the previous month the:

(1) Amount of public money or public funds deposited in such bank, savings and loan association or savings bank that is not insured or guaranteed by the federal deposit insurance corporation by:

(A) Each governmental unit separately; and

(B) all governmental units in the aggregate;

(2) aggregate market value of the pool of securities; and

(3) name, phone number and email address of a representative of each governmental unit represented in the pool.

(g) Not later than 20 days after the deadline for receiving the statement required under subsection (f), the administrator shall provide a report to each governmental unit listed in such statement reflecting:

(1) the amount of public money or public funds deposited in such bank, savings and loan association or savings bank by each governmental unit as of the last business day of the previous month that is not insured or guaranteed by the federal deposit insurance corporation and that is secured pursuant to K.S.A. 9-1402 and 12-1675, and amendments thereto; and

(2) the aggregate market value of the pool of securities deposited as of the last business day of the previous month.

Such report shall clearly notify the governmental unit if the value of the securities did not meet the statutory requirement.

(h) If the administrator, at any time determines the value of the securities does not meet the statutory requirement the administrator shall send notice to the bank, savings and loan association or savings bank allowing such bank, savings and loan association or savings bank up to five business days to adjust the securities to meet the statutory requirement. If a bank, savings and loan association or savings bank does not meet the statutory requirement within the required timeframe, such bank, savings and loan association or savings bank shall be subject to a fine and potential sanctions issued by the administrator pursuant to rules and regulations adopted by the treasurer.

(i)

Sec. 9. K.S.A. 12-1677b is hereby amended to read as follows: 12-1677b. (a) The governing body of any city, county or school district which has a written investment policy approved by the governing body of such city, county or school district and such written investment policy is approved by the pooled money investment board as provided in subsection (b) may invest and reinvest pursuant to the approved investment policy in the following investments, as authorized under ~~paragraph (6) of subsection (b) of~~ K.S.A. 12-1675(b)(6), and amendments 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 and securities of United States sponsored enterprises which under federal law may be accepted as security for public funds, except that such investments shall not be in mortgage-backed securities;

(2) interest-bearing time deposits in any banks, savings and loan associations and savings banks; or

(3) repurchase agreements with banks, savings and loan associations and savings banks, or with 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.

(b) In approving the investment policy of any city, county or school district, the pooled money investment board shall require that such policy addresses liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management staff. In addition, the policy shall provide procedures for compliance with ~~subsection (c) of~~ K.S.A. 12-1675(c), and amendments thereto, and a certification from the investment management staff that those procedures have been followed.

(c) The investment policy of any city, county or school district approved by the pooled money investment board under this section shall be reviewed and approved at least annually by such board or when such city, county or school district makes changes in such investment policy. On condition of approving the investment policy, the pooled money investment board shall review the policy to assure that it addresses liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management staff. In addition, the policy shall provide procedures for compliance with ~~subsection (c) of~~ K.S.A. 12-1675(c), and amendments thereto, a certification from the investment management staff that those procedures have been followed and:

(1) A listing of the banks, savings and loan associations and savings banks from which the city, county or school district requested bids in the preceding year;

(2) an annual portfolio holdings report in a form prescribed by the pooled money investment board; and

(3) any fee or cost the city, county or school district is paying for investment advisor services.

(d) The pooled money investment board shall report annually to the legislature a list of cities, counties and school districts who have been approved under this section, including the documents provided in subsection (c).

(e) (1) All security purchases shall occur on a delivery versus payment basis.

(2) All securities shall be perfected in the name of the city, county or school district and shall be delivered to the purchaser or a third party custodian which may be the state treasurer.

(3) Investment transactions shall only be conducted with banks, savings and loan associations and savings banks; or with primary government securities dealers which report to the market report division of the federal reserve bank of New York; or any broker-dealer which is registered in compliance with the requirements of section 15C of the securities exchange act of 1934 and registered pursuant to K.S.A. 17-12a401, and amendments thereto.

(4) The maximum maturity for investments under subsection (a) shall be four years.

~~(e)~~(f) Investments in securities under paragraph (1) of subsection (a) 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.

~~(f)~~(g) A city, county or school district which violates ~~subsection (c) or (d) of~~ K.S.A. 12-1675(c), and amendments thereto, or the rules and regulations of the pooled money investment board shall forfeit its rights under this section for a two year period and shall be reinstated only after a complete review of its investment policy as provided for in subsection (b). Such forfeiture shall be determined by the pooled money investment board after notice and opportunity to be heard in accordance with the Kansas administrative procedure act.