FEDERAL AND STATE AFFAIRS COMMITTEE

March 5, 1969

The meeting was called to order by the Chairman and Rep. Hertline appeared to oppose H.B. 1322. He stated that he was speaking not as a County Commissioner, which he has been for several years, but strictly as an individual. He stated his opposition is based on the fact that a bill was introduced and passed in 1968 and it still has not had time to prove itself; that it should be given time and not load up on a lot of other laws along the same lines. He stated that this kind of legislation encourages banks to increase their interest rate to the borrower and makes it more expensive to the small operator and former, all as a result of sending this money out of the State of Kansas.

Mr. Howard Stones of the Kansas Bankers' Association appeared in opposition to this proposal, and introduced a group that ~~who~~ supported him--Karl Bowman, Executive Secy. of the Kansas Bankers' Association, Ed Hogan, Asst. Bank Commissioner, Mr. Weber, Bank Commissioner, John Dean, Attorney, W. C. Hartley, Bill Smiley, Mr. Cleavenger, Mr. Kirkwood, Mr. Weber, George Lister, Robert Lavenwater, Mr. Abercrombie, Mr. Bunten, Mr. Folk, + Joe Merman.

Mr. Stones stated that Rep. Hertline had done an excellent job of setting the stage; that last year SB 522 allowed counties and school districts to draw interest on deposited funds and that this same issue was discussed last session. He urged that we should keep Kansas dollars in Kansas, working for Kansans; that the Federal laws make it illegal for banks to pay interest in excess of what they are paying now; that they operate under Regulation 'Q' governing maximum rates; that if these governmental sub-divisions are allowed to invest in treasury bonds it will take millions of dollars out of Kansas, increase interest to the people who borrow, and ultimately damage the very bodies this bill is seeking to help, and eventually cost the tax payer much more than they will realize from these investments.

Mr. Stones quoted from a letter signed by Mr. Frisbie of the Farm Bureau which indicated that the Bureau believes this bill would be ill advised. He also presented a study by Dr. Daicoff, of K.U.'s Economics Department which explains in detail what this kind of practice would do to the economy (see memo in exhibit file). He used the memo of figures which had been presented to the committee earlier in support of the bill, which figures had been prepared by the KASB staff. He stated that he had attempted to substantiate these figures but had been unable to find that the figures quoted were yeararound idle funds. Also, that the banks that were represented as "cooperating" with the school officials in investments had advised him (1) that the bank had repeatedly asked the school superintendent to conform with the law, and that he had been advised that he would go ahead and invest the funds as he pleased until he had been specifically prohibited from doing so; and (2) the other banker chose not to deal in the short term deposits. He stated that the 7 million dollars in the Wichita School Board shows this balance because the operate on a 18 month budget instead of a 12 month budget; that instead of giving these agencies the right to invest in treasury bonds it makes more sense to leave the money in the pocket of the taxpayer longer, than to let the sub-divisions invest it; that the bankers in Wichita tell him that 80% of ~~his~~ their customers have to borrow to pay their taxes anyway, and are paying 6-7% interest and the school board could realize much less on this idle money. That this just lets the public officials play "investment broker" at the expense of the taxpayer.

Mr. Buchele stated it looked to him as if the banks are assuming a net loss to the community with no other money available. Mr. Stones explained that one needs to understand that local banks are able to make arrangements with other banks for large loans but they are now doing this to their maximum; that it is a nationwide problem, but not as severe as in Kansas; that he feels the millions of dollars leaving the state under this proposal would have a severe effect on the economy of Kansas. Mr. McCray stated that it looks as if the taxpayer is going to lose one way or the other, and Mr. Stones stated that he would like to see the Board use the 7 million surplus that is kept all the time (in Wichita) before asking for more taxes; that to allow them to invest this money would eventually cost the taxpayers so much more, and harm the economy of Kansas, and cost the unit more than it would ever make; that it would run the municipal bond rate so unattracticaly low--bonds that the banks now pledge on the short time deposits, that they would no longer be marketable and then other units would suffer too.

The Chairman inquired if the sub-committee had been able to get together on H.B. 1473, and Mr. Headrick stated that Mr. Turner had to go to Wichita, and they had been unable to get together as yet.

The meeting was adjourned.

Hb-1322
minutes of 3-5-69

November 1966

LOCAL GOVERNMENTS AND THE PUBLIC BENEFIT . . . .

From New Money Created by the Kansas Banking System, and Additional Tax Revenues Generated.

Brief Summary of a Report entitled

"SURPLUS FUNDS OF KANSAS LOCAL GOVERNMENTS

And

CORRESPONDENT RELATIONSHIPS OF KANSAS BANKS"

A report of the Kansas Bankers Association by
Dr. Darwin W. Daicoff, Associate Professor of
Economics, University of Kansas, Lawrence

STUDY I

Kansas Banking System Provides Leverage

A new deposit of $10 million in the Kansas banking system creates new money which did not exist before amounting to:

1. $16 million in deposits belonging to Kansans.
2. Loans principally to Kansans of about $12 million.
3. $12 million in new personal income of Kansans.
4. New state and local tax revenues of $1.4 million annually -- additional revenue to Kansas governments.

Withdrawing Deposits from Kansas Banks has Depressing Effect on Personal Income of Kansans

If $10 million of money belonging to people in Kansas were to be withdrawn from the Kansas banking system:

1. Deposits would decrease $16 million.
2. Loans to Kansans would decrease $12 million.
3. Personal income of Kansans would also decrease $12 million.
4. Tax revenues of Kansas government units would decrease $1.4 million.

Investments by Political Subdivisions in U.S. Treasury Bills or Other Securities

When cities in Kansas, under the Home Rule Amendment, invest public funds in U.S. Treasury bills by sending Kansas money to Washington, money is withdrawn from the Kansas banking system with the contractual effects cited above. For instance, if estimated public funds of $165 million were invested in U.S. Treasury bills by various Kansas political subdivisions, at a yield of 5%, the annual income would be $8,250,000. But the important point is that the state and the political subdivisions would lose almost three times that much or $24 million, in tax revenue -- which would have been created by the leverage of the public funds having been in the Kansas banking system.

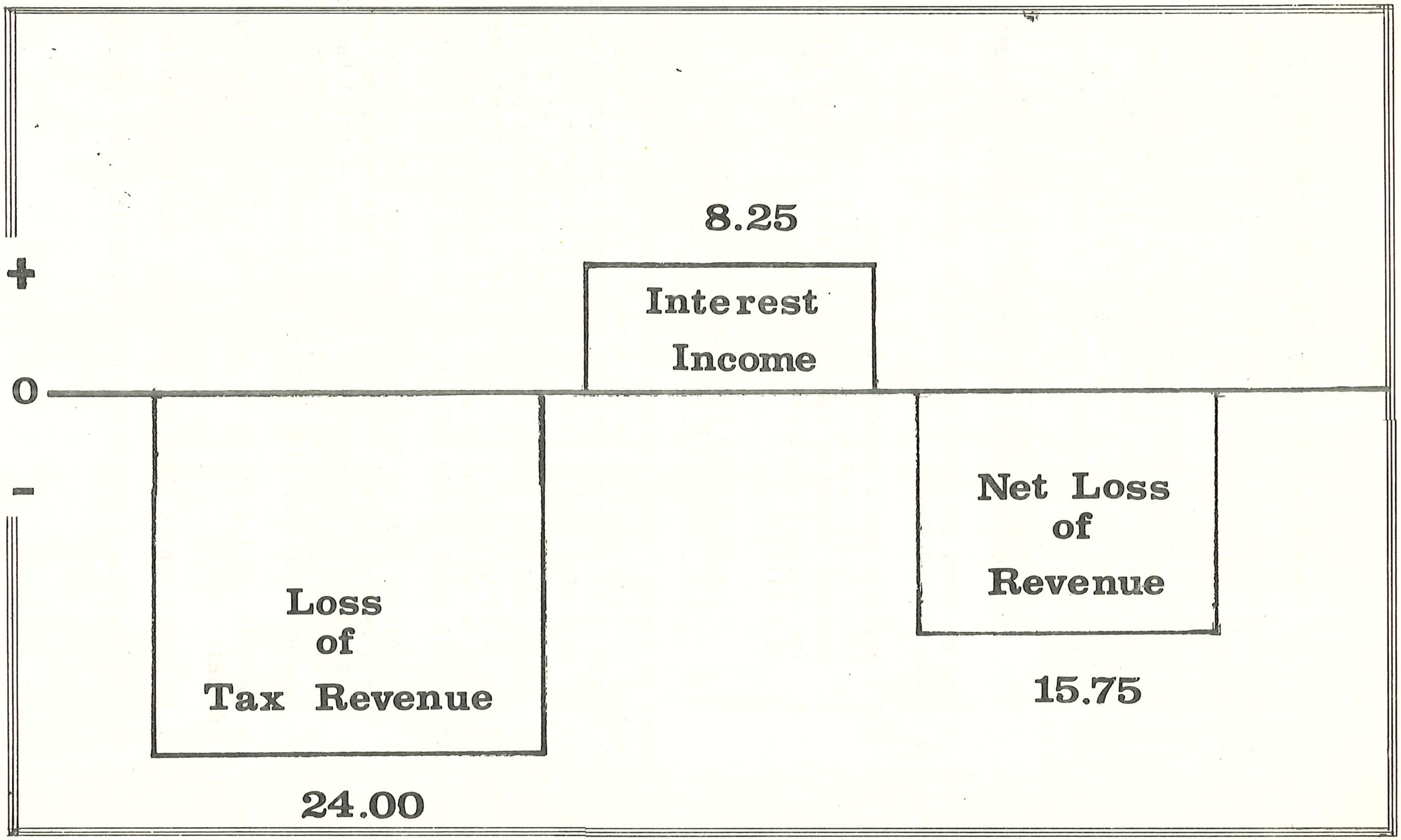
> Dr. Daicoff goes on to point out that if $165 million of public funds were withdrawn from the Kansas banking system, in addition to the loss of tax revenue of $24 million -- total bank deposits of Kansans would decrease $264 million -- and personal income of Kansans would drop $198 million annually.

There are two main conclusions to be drawn from Dr. Daicoff's study of public funds in Kansas:

1. Local public funds may be larger than they need to be, thereby creating a desire for investments in U. S. Treasury

Effect on Public Receipts of a Transfer of Local Public Funds to Treasury Bills

in millions of dollars



bills by local government officials. This could be remedied by permitting individuals to hold their own funds longer through the payment of taxes four times a year instead of twice as now permitted. This would spread out the payment of taxes and the taxpayer would need to pay less each December and May.

2. Public funds instead of being invested by local government officials, or by the state, should be retained in the Kansas banking system -- for the benefit of the people of Kansas as well as their local governments.

(For additional information from Dr. Daicoff's study, please read on.)

(But for a complete copy of his study, which you will probably want after reading this summary and the following information, write the Kansas Bankers Association, 420 First National Building, Topeka 66603. An order form is enclosed.)

More on Dr. Daicoff's Findings

The study by Dr. Darwin W. Daicoff on "surplus funds of Kansas local governments" uses three methods of estimating amounts of public funds held by all local governmental units in Kansas.

Two are based on available published material, and a third method was based on inquiry of operations in two counties, Sedgwick and Jefferson. It is shown that all three methods produced mutually consistent results.

The estimate of total LOCAL government (excluding state) public funds in Kansas, the minimum bank balances, are calculated to be $165 million. The maximum balance is estimated to be $390 million.

For an economic analysis of the impact of local public funds it is necessary to understand two economic concepts -- "the expansion of credit" and "the income multiplier."

It is well known that an individual bank can expand its loans and investments only to the extent that it has uncommitted resources. Roughly speaking, the limit to its expansion is set by its excess reserves. This is because the customer who borrows money does so for the purpose of using it, and when the funds are withdrawn, the lending bank must be prepared to lose reserves. For the banking system as a whole the situation is different. Because individual banks are required to hold only a fraction of their cash deposits as reserves, it is possible for additional reserves coming into the system to generate additional deposits on a multiple basis.

Income Multiplier

In examining impact on the Kansas economy of deposits in Kansas banks it is necessary to understand the operation of the income multiplier, which reflects the well-known fact that income arising from a given amount of spending will be in part saved and in part respent.

As concerns the Kansas economy, we must make allowances for the fact only a part of the spending by Kansas consumers and businesses will result in income to other Kansans; part of the spending will be for goods and services outside Kansas.

> From an initial expenditure of $10,000, for example, on goods and services in Kansas, the turnover and successive rounds of spending and spinoffs (taxes, savings and amounts spent outside the state) will result eventually in total income accruing to Kansans of $20,000, or twice the amount of the initial expenditure. Thus the income multiplier is two.

Dr. Daicoff uses tables and specific examples to point up the economic impact of bank balances, and these indirect effects of government funds kept in the state:

"First, the state gains on the corporation income tax on the earnings which the banks receive through the lending of these funds. Secondly, the deposit of state funds within the banking system of the state increases the lendable funds available. This in turn has its impact on investment, consumption, economic growth, and employment within the state. Thus added economic activity in turn generates further tax revenues to be paid into the coffers of the state. In addition, the state receives from the banking system free services which would otherwise have to be paid for either in service charges or by leaving in the banks noninterest-bearing compensating balances sufficient to offset the service costs."

Dr. Daicoff uses this example:

Beginning with a new deposit of $10 million a reserve ratio of 20 per cent would mean that excess reserves of $8 million are created. The expansion factor of two would result in total deposits of $16 million and loans made in Kansas of about $12 million. If the income multiplier were also two* the increase in total personal income in the state would be $12 million. This $12 million increase in Kansas income is the produce of the income multiplier and the amount of deposits in Kansas that result from the original $10 million deposit. Only the portion of loans that are spent on goods and services produced in Kansas, result in income to Kansas. Thus the multiplier is properly applied to the Kansas deposits resulting from the $10 million deposit.

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*conservatively estimated

The tax rate of 12 per cent produces a tax yield of $1.4 million. Thus $10 million of new deposits would result in $1.4 million additional revenue to Kansas governments.

> The estimated minimum bank balances for Kansas local governments, $165 million, can be used to replace the $10 million in the foregoing example. As this is done it may be concluded that the present deposits of local governments account for $264 million of the total bank deposits in Kansas, account for $198 million of the personal income received in Kansas, and account for $24 million in state and local taxes in Kansas.

Pledging

On pledging government securities for deposit of public funds Dr. Daicoff says: It has long been said that the "pledging" arrangements have provided a market for Kansas local government bonds that would not exist in the absence of such an arrangement. The Kansas Bankers Association staff has shown that comparable bond issues in nearby states carry an 0.5 per cent to 1.75 per cent higher cost to the local government. Thus, annual savings to Kansas taxpayers (estimated to be between $4,050,000 and $6,075,000) results from the pledging arrangement.

This contention of the KBA staff is supported by the data shown in Table X in the full report. It does seem to be true - Kansas banks own a larger than average share in state and local securities. They are obviously helping to make a favorable market for Kansas government borrowers.

Alternatives to Local Government Deposits

It has previously been shown that the minimum bank balances of Kansas local governments are $165 million. To the extent that these funds are not being accumulated as reserves for capital expenditues, as some statutes allow, local taxes could be cut in Kansas by $165 million. To some extent a reduction in taxes is a possibility. However, since the primary cause of the minimum balances is the difference in timing between receipts and expenditures, some balances would remain after all tax reduction that is feasible. There is probably little that can be done to smooth out the unevenness of expenditure; however, considerable leeway exists on the revenue side.

In some states local taxes are paid only once a year. In Kansas it is possible to pay property taxes twice a year. The quarterly payment of property taxes is feasible and would do much to even the flow of revenue. The distribution of state aid and shared taxes could also be made more even. Further, the timing of the distribution of state funds could be used to adjust for the unevenness in the expenditure pattern.

The question remains: how could these funds best be handled? The current arrangements of keeping these funds on deposit at the local banks has distinct advantages. Among these advantages are safety, availability, indirectly providing a market for Kansas government securities, contributing to Kansas economic growth and development, and compensating banks for servicing the local governments' active accounts.

The desire to receive interest income is the major motivation behind the local governments' proposals to change the current arrangement. An obvious alternative involves the use of certificates of deposit. This would create a cost to the Kansas bankers and hence be a disadvantage to them. However, part of the cost could be recovered by instituting a system of service charges on the active accounts. A change in the current "pledging" arrangements may also be reasonable if certificates of deposit were used.

The third major alternative involves a further freeing of local governments than would be present under the use of certificates of deposit. This would involve permitting local governments to purchase short-term federal government securities. There is one major disadvantage of this arrangement that is not present in the use of certificates of deposit. This disadvantage is that these funds would not be available in the state.

In the perfect capital market, capital funds will flow to where they receive the highest net return. Although it is true that capital moves more freely in the United States than anywhere else in the world, the capital market is far from perfect. It is well known that the Midwest is characterized by a capital shortage.

> It has previously been established that local funds support $264 million of the total bank deposits in Kansas and account for almost $200 million of the personal income received in Kansas. Further, $24 million in state and local taxes are the result of the $165 million in the local governments deposits. A major portion of these amounts would be lost if local governmental units were to invest their funds in federal securities.

STUDY II

Correspondent Relationships of Kansas Banks

In the Tenth Federal Reserve District, including all Kansas, two reasons for the extraordinary amount of correspondent banking have been offered. Since this district contains little branch banking, none in Kansas, correspondent banking has more than average use, because the correspondent relationship, without some of the disadvantages of branch banking, brings the advantages of large-scale banking to the smaller community banks. Further, since the Tenth District contains a large number of state banks that are not members of the Federal Reserve System a greater need for correspondent services exists. As a consequence of counting balances held with correspondents as part of the legal reserves for these non-member banks, larger balances are held with correspondents and thus greater use of correspondent services.

Bank Data and Correspondent Banking

As shown in Table XII of the full report the balances of Kansas banks with their correspondents have shown a general upward trend since 1954. In 1965 these balances were $342 million. Kansas banks that serve as correspondents have also experienced a general increase in their respondent balances over the same period and were $142 million in 1965. Under the assumption that all respondents of Kansas correspondent banks are located in Kansas, respondent balances in Kansas may be subtracted from correspondent balances to obtain an estimate of the amount of correspondent balances held by Kansas banks in banks outside the state. This calculation reflects an irregular increase in correspondent balances held by Kansas banks outside the state over the same eleven-year period. The 1965 estimate is $200 million.

In 1956 9% of Kansas bank deposits was held as correspondent balances outside the state. In recent years this has fallen to under 6%.

Over 90% of the correspondent balances outside the state is accounted for by the state non-member banks.

Among the five states, as shown in Table XV, Oklahoma and Kansas banks have large correspondent balances outside the state, Colorado and Nebraska out-of-state correspondent balances are very small, and Missouri banks hold large correspondent balances of other states. While all of the state non-member banks hold large correspondent balances in banks outside the state, in each of the five states, except Kansas and Oklahoma, national banks hold more correspondent balances inside the state than outside. In states where the correspondent balances of national banks are large enough to offset the state non-member bank deposits the total for all banks is in favor of the state.

The final table of this section, Table XVI of the full report, presents the correspondent deposit data as a percentage of total deposits. From this table it is evident that Kansas banks have a relatively larger portion of their deposits in correspondent balances outside the state and that correspondent banking in Kansas is relatively underdeveloped. The force of these two facts is such taht Kansas rangs second after Oklahoma in the percentage of its deposits held as correspondent balances outside the state.

Non-member state bank data show that Kansas is rather typical of the five states in the proportion of total deposits that are held as correspondent balances outside the state. From these data it seems clear that the cause of the rather large correspondent balances held outside Kansas is that national banks in the state have not yet developed a vigorous correspondent banking service for other Kansas banks.

Correspondent Banking and the Kansas Economy

To the extent that correspondent balances are held outside the state these funds are unavailable for local use. As was shown in the discussion of local government deposits, a loss of deposits in the state will have an effect on the economy of the state. Using the same expansion ratio, income multiplier and tax rate as employed in the earlier discussion it is possible to estimate the economic impact of correspondent balances held outside the state.

Correspondent balances of Kansas banks held in banks outside the state have been estimated to be $200 million in 1965. Were these balances held by correspondent banks in Kansas $160 million in excess reserves would result. This would mean an additional $320 million in total deposits, $240 million more income in Kansas, and additional state and local government tax collections of $29 million.

One of the well-known features of correspondent banking is that the correspondent banks participate in loans generated by the respondent banks. To the extent that this occurs, capital flows back into Kansas and partially offsets the loss of deposits due to the outflows of correspondent balances. It may well be that the inflow of capital is larger than the outflow resulting from outside correspondent balances; if this is so, the result would be larger deposits, income, and taxes in Kansas than without correspondent banking.

An alternative to the present correspondent relationships of Kansas banks would involve the more extensive use of Kansas correspondent banks. As shown before, correspondent services are relatively underdeveloped in Kansas, and an expansion of this activity may be feasible.

Even though it may be possible for Kansas correspondent banks to offer many of the services that are available through correspondents located outside the state, the offering of these services requires that correspondent banking be profitable in Kansas. Kansas banks cannot be expected to provide correspondent services without the possibility of a profit being earned from the correspondent balances or from fees.

There has been some research to show that correspondent banking is a profitable undertaking in the Tenth Federal Reserve District.

(For copy of Dr. Daicoff's complete report, including Study II, write the Kansas Bankers Association, 420 First National Building, Topeka 66603.)

?

School District	General funds invested Dec. 1968 - Feb. 1969	Current Average Interest rate	Current Average interest rate for Treasury bills	Difference between columns 3 and 4 representing loss to the school district for 90 days period
St. Marys	0	0	0%	0
Topeka	4,500,000	3.86	6.25%	107,550
Manhattan	600,000	3.70	6.25%	15,300
Fort Scott	136,000	5.75	6.25%	800
Leavenworth	500,000	3.86 $19,300	6.25% $31,250	11,950 - Annual difference if funds kept for 12 full months.
Salina	900,000	3.86	6.25%	21,510
Hutchinson	1,340,000	3.91	6.25%	31,356
Winfield	180,000	3.86	6.25%	4,302
Hiawatha	0	0	0%	0
Wichita	11,000,000	3.91	6.25%	200,000
Haysville	450,000	4.00	6.25%	10,250
Marysville	105,000	3.91	6.25%	2,340
Overland Park	400,000	3.91	6.25%	9,360
Oberlin	0 GREAT BEND	0	0%	0
Coffeyville	450,000	3.86	6.25%	10,775
Great Bend	775,000 - 12/1/68 $400,000	3.91	6.25%	18,135
Kansas City	2,000,000 1/28/69 $375,000	3.81	6.25%	48,800
Tribune	8,000	3.50	6.25%	220
Newton				
Total	23,344,000			4 | 492,648 $123,162 — 90 day period —

Compiled by KASB Staff

Penciled notations by KBA Staff

Public Interest Concepts Regarding Disposition of Local Public Inactive Funds

I. Excess Public Funds should be kept to a minimum.

A. Allow the taxpayer to keep his money until it is needed.

B. The presence of large surplus funds in any governmental unit indicates a need for tighter budget control and a resulting tax reduction.

C. Taxpayers cannot afford to pay more taxes than are actually needed.

II. Local Inactive Funds should be restricted to deposit in Kansas banks.

A. One hundred per cent safety can be guaranteed only when funds are are deposited in Kansas banks.

1. Only banks can purchase and pledge approved securities to guarantee public fund safety.
   (a) This pledging creates a more favorable market and interest rate for Kansas municipal bonds, resulting in another saving to the local taxpayer.

2. The local unit is a legal creditor only when funds are deposited in banks.

3. Investment is not a proper purpose for taxation, and may be unconstitutional in Kansas.

4. Taxes must be levied to allow government to function, not to empower government to purchase property and own shares for investment purposes.

B. A deposit in Kansas banks aids the state economy.

1. Kansas is experiencing a capital shortage.

2. Increased deposits in the banks of Kansas result in an increased lending capacity. (See Daicoff report.)
   (a) Industry and agriculture expansion occurs.
   (b) Personal income is increased.
   (c) Increased tax revenue is experienced.

3. Sending local tax dollars out-of-state has a depressing effect.

4. Kansas banks have a long tradition of aiding the local economy.
   (a) Kansas banks are now lending to the Kansas Development Credit Corporation for re-lending to small businesses and industries throughout the state.
      (1) Many businesses and industries have been created or significantly expanded through these KDCC loans.
      (2) Many new jobs have been created as a result of these loans.
      (3) Tax revenues are in turn increased as a result of this added industrial activity.

(more, please)

III. The interest rate should not exceed interest paid on state inactive funds. (70% of three-month average Treasury bill rate.)

A. This is the maximum rate of interest banks are able to pay without experiencing an actual loss on handling these funds. (See example below.)

1. A portion of these funds must be kept in legal reserves.

2. F.D.I.C. assessment fees must be paid on funds amounting to $80 on each $100,000.

3. Blanket bond expense is increased.

4. Approved securities must be purchased and pledged for complete protection of public funds (70% minimum pledging required, less F.D.I.C.).

   (a) This pledging maintains a ready market and more favorable interest rate for Kansas municipal bonds, resulting in another advantage to the taxpayer.

   (b) Actually, this means that a bank is largely limited on income from these deposits to its yield on municipals and governments which it must pledge. On a $100,000 deposit, the bank would receive an average of about 4% on $55,000 pledged securities! Pledging is not required for the $15,000 maximum FDIC insured portion.

5. Administrative expense is involved in actual fund handling.

6. The short-term nature of these funds precludes any long range investment plan.

7. A bank must maintain a liquidity ratio in addition to the legal reserve, so funds are readily available.

Example of $100,000 Deposit for one year

INCOME

Income from $15,000 insured portion @ 8%	$1,200.00
Income from $55,000 pledge requirements @ 4%	2,200.00
Income from $15,000 @ 8%	1,200.00
No income from $15,000 kept in reserves	
TOTAL INCOME	$4.600.00

EXPENSES

Interest @ 70% of average Treasury Bill rate (3.91%)	$3,910.00
FDIC, other insurance, handling expense	150.00
TOTAL EXPENSE	$4,060.00

NET INCOME FROM $100,000 PUBLIC FUND DEPOSIT $ 540.00 (before taxes)
(less than 6/10ths of 1% of initial deposit)

(more, please)

(III.)

B. Any excessive interest charge on public funds must be offset by increasing loan interest rates and customer service charge.

1. This has the practical effect of a tax increase paid indirectly by the taxpayer.

IV. Inactive funds deposited to bear interest should be those funds not needed for at least ninety days.

A. Funds needed sooner than ninety days should be considered demand deposits.

B. Paying interest on deposits for less than ninety days would result in excessive inefficiency of time and money for both the banks and the governmental units.

# # #

March, 1969

MEMORANDUM

From: Kansas Bankers Association

Subject: Savings to Kansas Taxpayers by Purchase of Kansas Municipal Bonds by Kansas Banks for Pledging to Secure Public Funds

The 601 Kansas banks and trust companies own a large and steadily increasing share of Kansas municipal bonds, warrants and notes outstanding. Our banks use these bonds to a great extent in securing the deposits of public funds as provided by our sound Kansas law. Comparisons with municipal bond issues of other states show that Kansas issues are sold, and purchased to a great extent by Kansas banks, at a savings of approximately 1/2 to 1% in the coupon interest rate. This means an annual savings to Kansas taxpayers of an estimated $4½ to $5 million. The main reason for this substantial saving to taxpayers is Kansas bank pledging of Kansas municipals. Kansas banks purchase them at these lower interest rates because of the public funds deposited for safekeeping in Kansas banks. These public funds are those of the state and political subdivisions.

Below are several recent examples of the difference in coupon interest rate and yields, based on comparable bonds as to quality, for Kansas municipals and those of other states.

Comparable Bonds as to Quality, Date of Issue, Etc.

	Kansas	Other States
I.	Junction City General Obligation, City	Oklahoma City, Okla. G.O., Independent School Dist. #89
Assessed Valuation	$19,334,397	$421,452,012
Direct Debt	1,686,062	30,543,166
Population	20,975	390,000
Maturities	1 to 10 years	1 to 10 years
Coupons	4½, 4-3/8, 4%	5, 4-3/4, 4.35, 4.40%
10 Year Yield (1979)	4%	4.45%
II.	Hutchinson G.O., City	Kirksville, Mo. G.O., City
Assessed Valuation	$55,700,000	$19,002,311
Direct Debt	4,369,444	1,179,000
Population	40,081	29,421
Maturities	1 to 10 years	1 to 13 year
Coupons	5½, 5, 4-3/4, 4%	4.75%
10 Year Yield (1979)	4.00%	4.45%
III.	Great Bend G.O., City	Austin, Texas School District I.S.D.
Assessed Valuation	$33,739,936	$936,440,000
Direct Debt	2,170,608	46,576,407
Population	18,000	270,000
Maturities	1 to 10 years	1 to 10 years
Coupons	4-7/8, 4, 4-1/8%	5%
10 Year Yield (1979)	4%	4.45%
IV.	Riley County G.O.	Northwest Boise, Idaho Sewer Dist. G.O., Ada County, Idaho
Assessed Valuation	$60,316,602	$35,625,180
Direct Debt	1,055,000	2,135,000
Population	34,049	8,000
Maturities	1 to 20 years	2 to 28 years
Coupons	4½, 3-7/8%	5½%
10 Year Yield (1979)	4%	(1980) 5%

(Over, please)

V.	Wichita G.O., City	Genessee County, Mich. G.O., County Highway Fund
Assessed Valuation	$486,063,084	$1,779,673,180
Direct Debt	44,210,736	74,205,000
Population	281,100	436,500
Maturities	1 to 20 years	1 to 25 years
Coupons	4½, 4%	3.90 to 5.10%
10 Year Yield (1979)	4%	4.55%

VI.	Salina G.O., City	Abilene, Texas G.O., City
Assessed Valuation	$62,079,372	$248,382,209
Direct Debt	9,759,490	20,106,000
Population	38,024	105,000
Maturities	1 to 20 years	1 to 20 years
Coupons	4¼, 3.90, 4½%	5, 4.80, 4-3/4, 4.90%
10 Year Yield (1979)	3.90%	(1980) 4.50%

VII.	Pittsburg G.O., City	Cook Co., Ill., School Dist. $170 School Bldg. Bonds
Assessed Valuation	$21,759,032	$126,305,357
Direct Debt	2,036,037	3,756,000
Population	21,000	27,000
Maturities	2 to 11 years	1 to 9 years
Coupons	4¼, 4.10%	4.60 to 5.25%
10 Year Yield (1979)	4.05%	(9yrs 1979) 5.25%

VIII.	Wichita County U.S.D. #49, G.O.	Oakland Co., Mich. School Dist. #5 Bldg. Bonds
Assessed Valuation	$25,895,459	$117,118,000
Direct Debt	1,350,000	14,347,000
Population	3,000	15,000
Maturities	1 to 20 years	1 to 15 years
Coupons	5½, 4½, 4¼, 4-5/8%	4 to 5.30%
10 Year Yield (1979)	4.15%	(1978) 4.95%