

Approved: February 2, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Richard Bond at 9:10 a.m. on January 28, 1993 in Room 529-S of the Capitol.

All members were present.

Committee staff present: William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary

Conferees appearing before the committee: Sally Thompson, State Treasurer
Marvin Max, Gubernatorial Appointee to State Banking Board
James R. Turner, KS-NEB League of Savings Institutions
David Douglas, Savings and Loan Commissioner
Frank Dunnick, Bank Commissioner
Judi Stork, Office of the Bank Commissioner

Others attending: See attached list

Sally Thompson, State Treasurer, appeared before the committee to request introduction of a clean-up bill to K.S.A.9-1402. (Attachment #1.) Senator Steffes made a motion, seconded by Senator Lawrence, to introduce this legislation. The motion carried.

Marvin Max, Gubernatorial Appointee to the State Board of Banking, was welcomed by Chairman Bond to the committee meeting. (Attachment #2.) Mr. Max gave a brief history of his 32 years' banking experience and shared his thoughts, goals and concerns in regard to the State Banking Board. Mr. Max stated that he has experienced the Banking Board as a positive body and hopes some progress can be made to reducing the regulation overload. Senator Steffes observed that someone of Mr. Max's caliber and experience is a very desirable addition to the Banking Board. In response to Chairman Bond's question, Mr. Max stated that the legislature could be most helpful regarding compensation for bank examiners as it is important to keep qualified examiners by offering compensation commensurate with other regulatory agencies and financial institutions. Chairman Bond thanked Mr. Max for appearing and closed the confirmation hearing.

The hearing was opened on **SB 58**, a proposal to abolish the Savings and Loan Department, Commissioner and Board. James Turner, Kansas-Nebraska League of Savings Institutions, appeared before the committee as a proponent of this bill. (Attachment #3.) This bill would transfer the duties and powers of the Savings and Loan Department to the Banking Department. Mr. Turner advised that, of the 13 remaining state-chartered savings and loan institutions in Kansas, 11 are in the process of converting to federal charter, which leaves only 2 or fewer to sustain an individual department. All S&L's are now supervised by the Office of Thrift Supervision. In response to Senator Moran's question, Mr. Turner advised that the bill would not change the charter, only the supervisory agency.

David Douglas, Savings and Loan Commissioner, appeared before the committee to state that he agrees with the purpose of this bill; there is little value to maintaining this department since so few S&L's now have state charters and the financial burden of sustaining the department would be an impossible burden for the remaining institutions. In response to Senator Moran's question, Commissioner Douglas stated that the Banking Department would probably need the services of one-half FTE to perform the necessary oversight functions for the remaining S&L's. Chairman Bond voiced his and the committee's appreciation to Commissioner Douglas for appearing at this meeting and for his forthright manner of addressing this issue.

Frank Dunnick, Commissioner of Banking, responded to Senator Moran's questions regarding reduction of personnel. Since it is anticipated that, after 7/1/93, there will be only two or fewer remaining state-chartered S&L's, the Banking Department may not need any additional staff. Chairman Bond questioned whether the issue of staff reduction was adequately addressed by the language of the bill. Dr. Wolff and Mr. Carman advised that, in their opinion, the language was comprehensive and required no revisions. There being no further questions and no other conferees, the hearing was closed.

Senator Praeger moved to pass **SB 58** favorably. The motion was seconded by Senator Lawrence. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
Room 529-S Statehouse, at 9:10 a.m. on January 28, 1993.

The hearing was opened on SB 31, a bill concerning critically undercapitalized banks. Judi Stork, Office of the Bank Commissioner, appeared as a proponent of this legislation. (Attachment #4.) The staff of the Banking Department has worked with the Revisor of Statutes to develop a balloon amending and clarifying the original language. This bill will give the State Banking Department parity with the FDIC in taking control of and closing critically undercapitalized banks. Senator Lawrence moved to amend the bill according to the balloon. Senator Moran seconded the motion. The motion carried. Senator Steffes made a motion, seconded by Senator Praeger to move the bill favorably as amended. The motion carried.

Senator Moran made a motion to approve the minutes of 1/26/93 as submitted. The motion was seconded by Senator Praeger. The motion carried.

Senator Corbin made a motion, seconded by Senator Lawrence, to recommend to the Senate that Marvin Max be confirmed to the State Banking Board. The motion carried.

The committee adjourned at 9:57 a.m.

The next meeting is scheduled for February 2, 1993.

GUEST LIST

SENATE

COMMITTEE: FINANCIAL INSTITUTIONS AND INSURANCE

DATE: 1-28-93

NAME	ADDRESS	ORGANIZATION
Judi Stork	Topeka	Ks Banking Dept
Kevin Glendening	Topeka	" "
Maurin J. May	OPKS	" "
Frank D. Dunnick	Topeka	" "
Lynn McScamell	Topeka	State Treasurer's
Blaine Dixon	Topeka	✓ ✓
Billy Thompson	✓	✓ -
David Douglass	"	S & L Dept
STEVE KEARNEY	"	PETE McCall
Jerel Wright	Topeka	Ks Credit Union Assn
Julie Koberg	Lawrence	Sen. Petty Intern
Ken Bahr	Topeka	4th Financial Corp
Alan Holmes	Topeka	Div of Budget
William Grant	TOPEKA	Office State Bank Commr.
Jenny Hailo	Lawrence	Sen. Prager's Intern
George Wierigert		Gov Office
JEFF SOXNICH	TOPEKA	KNLSI
Betty Taylor	"	Ks Bankers Assn.
Chuck Storer	"	"
Jim Turner	TOPEKA	KNLSI
Jim Maag	"	FBA
Lorna Keiston	"	Senate Const. Overight Comm.

**Article 14.—BANKING CODE; DEPOSIT
OF PUBLIC MONEYS**

9-1402. Securities for deposits of public funds; securities not accepted; expenses. (a) Before any deposit of public moneys or funds shall be made by any municipal corporation or quasi-municipal corporation of the state of Kansas with any state or national bank, state or federally chartered savings and loan association or federally chartered savings bank, such municipal or quasi-municipal corporation shall obtain security for such deposit in one of the following manners prescribed by this section.

(b) Such bank, state or federally chartered savings and loan association or federally chartered savings bank may give to the municipal corporation or quasi-municipal corporation a personal bond in double the amount which may be on deposit at any given time.

(c) Such bank, state or federally chartered savings and loan association or federally chartered savings bank may give a corporate surety bond of some surety corporation authorized to do business in this state, which bond shall be in an amount equal to the public moneys or funds on deposit at any given time and such bond shall be conditioned that such deposit shall be paid promptly on the order of the municipal corporation or quasi-municipal corporation making such deposits.

(d) Any state or national bank, state or federally chartered savings and loan association or federally chartered savings bank may deposit, maintain, pledge and assign, or cause its agent, trustee or an affiliate bank having identical ownership as the bank receiving the deposit of public moneys or funds to deposit, maintain, pledge and assign, for the benefit of the governing body of the municipal corporation or quasi-municipal corporation in the manner provided in this act, securities owned by it directly or indirectly through its agent or trustee holding securities on its behalf, ~~or owned by such~~ affiliate bank, the market value of which is equal to 100% of the total deposits at any given time, and such securities may be accepted or rejected by the governing body of the municipal corporation or quasi-municipal corporation and shall consist of:

_____ which may be the state treasurer

(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 corporations which under federal law may be accepted as security for public funds;

(2) bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas 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 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 of the state of Kansas;

(5) revenue bonds of any municipal corporation or quasi-municipal corporation of the state of Kansas if approved by the state bank commissioner in the case of banks and by the savings and loan commissioner in the case of savings and loan associations or federally chartered savings banks;

(6) temporary notes of any municipal corporation or quasi-municipal corporation of the state of Kansas which are general obligations of the municipal or quasi-municipal corporation issuing the same;

(7) warrants of any municipal corporation or quasi-municipal corporation of the state of Kansas the issuance of which is authorized by the state board of tax appeals and which 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; or

(13) (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; or are valued pursuant to rules and regulations which shall be adopted by both the state bank commissioner and the savings and loan commissioner after having first being submitted to and approved by both the state banking board under K.S.A. 9-1713, and amendments thereto, and the savings and loan board. Such rules and regulations shall be published in only one place in the Kansas administrative regulations as directed by the state rules and regulations board;

(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 (A) shall be taken at their value for not more than 50% of the se-

curity required under the provisions of this section.

(C) Securities under (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.

(e) No state or national bank, state or federally chartered savings and loan association or federally chartered savings bank may deposit and maintain for the benefit of the governing body of a municipal or quasi-municipal corporation 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) or such bonds are rated at least Aa by Moody's Investors Service or AA by Standard & Poor's Corp.

(f) Whenever a bond is authorized to be pledged as a security under this section, such bond shall be accepted as a security if (1) in the case of a certificated bond, it is assigned, delivered or pledged to the holder of the deposit for security; (2) in the case of an uncertificated bond, registration of a pledge of the bond is authorized by the system and the pledge of the uncertificated bond is registered; or (3) in a form approved by the attorney general, which assures the availability of the bond proceeds pledged as a security for public deposits.

(g) Any expense incurred in connection with granting approval of revenue bonds shall be paid by the applicant for approval.

History: L. 1947, ch. 102, § 64; L. 1965, ch. 76, § 1; L. 1968, ch. 236, § 1; L. 1970, ch. 63, § 1; L. 1973, ch. 48, § 1; L. 1976, ch. 79, § 1; L. 1978, ch. 45, § 1; L. 1980, ch. 47, § 1; L. 1982, ch. 52, § 2; L. 1983, ch. 49, § 17; L. 1983, ch. 47, § 3; L. 1983, ch. 49, § 18; L. 1985, ch. 58, § 1; L. 1985, ch. 58, § 2; L. 1986, ch. 76, § 2; L. 1986, ch. 76, § 3; L. 1987, ch. 56, § 1; L. 1989, ch. 48, § 42; L. 1989, ch. 209, § 18; L. 1992, ch. 146, § 25; July 1.

12-1675. Investment of public moneys by governmental subdivisions, units and entities. (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 the mentally retarded 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 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 time deposit, open accounts or certificates of deposit with maturities of not more

than two years: (A) In commercial banks which have offices located in such investing governmental unit; or (B) if the office of no commercial bank is located in such investing governmental unit, then in commercial banks which have offices in the county or counties in which all or part of such investing governmental unit is located;

(3) in time certificates of deposit with maturities of not more than two years: (A) With state or federally chartered savings and loan associations or federally chartered savings banks which have offices located in such investing governmental unit; or (B) if the office of no state or federally chartered savings and loan association or federally chartered savings bank is located in such governmental unit, then with state or federally chartered savings and loan associations or federally chartered savings banks which have offices in the county or counties in which all or part of such investing governmental unit is located;

(4) in repurchase agreements with: (A) Commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks which have 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 the office of no commercial bank, state or federally chartered savings and loan association or federally chartered savings bank is located in such investing governmental unit; or (ii) if no commercial bank, state or federally chartered savings and loan association or federally chartered savings bank has an 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 (1) of K.S.A. 75-4201, and amendments thereto, then such repurchase agreements may be entered into with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks which have offices in the county or counties in which all or part of such investing governmental unit is located; or (C) if no bank, state or federally chartered savings and loan association or federally chartered savings bank which has its 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

(l) of K.S.A. 75-4201, and amendments thereto, then such repurchase agreements may be entered into with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks which have offices in the state of Kansas;

(5) in United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years. Such investment transactions shall only be conducted with the following, which is doing business within the state of Kansas, any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank; ~~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. 17-1254, and amendments thereto;~~

the federal reserve bank of Kansas City, Missouri;

engaged in the business of selling government securities 15 or

(6) in the municipal investment pool fund established in K.S.A. 1992 Supp. 12-1677a;

(7) in the investments authorized and in accordance with the conditions prescribed in K.S.A. 1992 Supp. 12-1677b; or

(8) with the trust departments of commercial banks which have offices located in such investing governmental unit or with trust companies which have contracted to provide trust services under the provisions of K.S.A. 9-2107, and amendments thereto, with commercial banks which have 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. Investments of public moneys under this paragraph shall be limited to those investments authorized under subsection (b) of K.S.A. 1992 Supp. 12-1677a.

(c) The investments authorized in paragraphs (5), (6), (7) or (8) of subsection (b) shall be utilized only if the appropriate eligible commercial banks, which have offices located in the investing governmental unit or in the county or counties in which all or a part of such investing governmental unit is located if no such bank has an office which is located within such governmental unit, or the appropriate eligible state or federally chartered savings and loan associations or federally chartered savings banks, which have offices located in the investing governmental unit or in the county or counties in which all or a part of

such investing governmental unit is located if no such state or federally chartered savings and loan association or federally chartered savings bank has an office which is located within such governmental unit, cannot or will not make the investments authorized in paragraph (2) or (3) of subsection (b) available to the investing governmental unit at interest rates equal to or greater than the investment rate, as defined in subsection (l) of K.S.A. 75-4201, and amendments thereto.

(d) In selecting a depository pursuant to paragraph (2) or (3) of subsection (b), if a commercial bank, state or federally chartered savings and loan association or federally chartered savings bank 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 (l) of K.S.A. 75-4201, and amendments thereto, and such financial institution otherwise qualifies for such deposit, the investing governmental unit shall select one or more of such financial institutions for deposit of funds pursuant to this section. If no such financial institution qualifies for such deposits, the investing governmental unit shall select for such deposits one or more commercial banks, state or federally chartered savings and loan associations or federally chartered 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 (l) of K.S.A. 75-4201, and amendments thereto, and which otherwise qualify for such deposits.

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

(2) All securities 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.

History: L. 1968, ch. 217, § 1; L. 1969, ch. 80, § 1; L. 1973, ch. 63, § 6; L. 1975, ch. 68, § 1; L. 1976, ch. 79, § 2; L. 1977, ch. 55, § 1; L. 1982, ch. 52, § 6; L. 1983, ch. 47, § 7; L. 1986, ch. 76, § 7; L. 1989, ch. 48, § 66; L. 1992, ch. 146, § 3; July 1.

Attorney General's Opinions:

Leasing hospital property; oil and gas leases; lease operating expenses. 91-66.

12-1677a. Municipal investment pool fund; investments; requirements; rules and regulations. (a) Moneys deposited by any municipality with the state treasurer for investment authorized in paragraph (6) of subsection (b) of K.S.A. 12-1675, and amendments thereto, shall be deposited in the municipal investment pool fund which is hereby created in the state treasury.

(b) The pooled money investment board may invest and reinvest moneys in the municipal investment pool fund in the following investments:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of United States sponsored enterprises which under federal law may be accepted as security for public funds, except that not more than 10% of the moneys available for investment under this subsection may be invested in mortgage backed securities of such enterprises and of the government national mortgage association;

(2) interest-bearing time deposits in any of the following, which is doing business within the state of Kansas, any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank; or

(3) repurchase agreements ~~of less than 30 days' duration~~ with a Kansas bank, Kansas savings and loan association, a federally chartered savings bank having an office or offices in the state of Kansas 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.

(c) All interest earnings received from investments of money in the municipal investment pool fund shall be credited to the municipal investment pool fund. Interest earnings experienced by the fund on investments attributable to each participating municipality shall be prorated and applied to the individual accounts of the municipalities, maintained by the state treasurer. Deferred earnings transferred from the municipal investment pool reserve fund to the municipal investment pool fund shall be prorated and applied to the individual accounts of the municipalities, maintained by the state treasurer. A statement for each municipality participating unit account showing deposits, withdrawals, earnings and losses distributions shall be provided periodically to the municipality. The state treasurer shall make comprehensive reports to those municipalities participating in the municipal investment pool fund, including a summary of transactions for the period as well as the current market value of the pool investments.

(d) The state treasurer may assess reasonable charges not to exceed 1% of the interest earned against the fund for reimbursement of expenses incurred in administering the fund. The state treasurer shall certify, periodically, the amount of the assessment and the director of accounts and reports shall transfer the amount certified from the municipal investment pool fund to the municipal investment pool fund fee fund, which is hereby created. All expenditures from the municipal investment pool fund fee fund shall be made in accordance with appropriation acts upon warrants

of the director of accounts and reports issued pursuant to vouchers approved by the state treasurer or a person or persons designated by the state treasurer. Amounts of gains realized on disposition of investments of the municipal investment pool fund shall be periodically certified by the state treasurer, and the director of accounts and reports shall transfer the amount certified from the municipal investment pool fund to the municipal investment pool reserve fund which is hereby created in the state treasury. The state treasurer shall make a determination of the amount needed for a reserve for possible losses to the municipal investment pool fund and shall certify periodically such amount, and the director of accounts and reports shall transfer the amount so certified from the municipal investment pool fund fee fund to the municipal investment pool reserve fund. If the state treasurer makes a determination that significant losses or gains have occurred to the municipal investment pool fund, the state treasurer shall certify the amount thereof to the director of accounts and reports, and the director of accounts and reports shall transfer the amount so certified from the municipal investment pool reserve fund to the municipal investment pool fund.

(e) The state treasurer may adopt rules and regulations necessary to carry out the provisions of this section and may enter into agreements with any municipality as to methods of deposits, withdrawals and investments.

(f) Investments under ~~paragraphs (1) and (2)~~ of subsection (b) shall be for a period of not to exceed four years, except for mortgage backed securities.

(g) A comparative investment performance review shall be contracted for annually by the state treasurer's office.

(h) Deposits in the municipal investment pool fund may only be made for the same maturity as the maturity which is offered under paragraphs (2) and (3) of subsection (b) of K.S.A. 12-1675 and amendments thereto.

(i) Moneys and investments in the municipal investment pool fund shall be managed by the pooled money investment board in accordance with investment policies provided by law and by rules and regulations of such board. The pooled money investment board shall not contract for management of investments by a money manager.

(j) Investments in securities under paragraph (1) of subsection (b) shall be limited to securities which do not have any more interest

rate risk than do direct United States government obligations of similar maturities, except for the 10% limitation on mortgage-backed securities. For purposes of this subsection, "interest rate risk" means market value changes due to changes in current interest rates.

(k) For the purpose of this section, "municipality" means those entities specified in subsection (a) of K.S.A. 12-1675, and amendments thereto.

History: L. 1992, ch. 146, § 1; July 1.

12-1677b. Direct investments by cities and counties, when; requirements; forfeiture of investment rights, when. (a) The governing body of any city or county which has a written investment policy approved by the governing body of such city or county and approved by the pooled money investment board may invest and reinvest pursuant to the approved investment policy in the following investments, as authorized under paragraph (7) of subsection (b) of K.S.A. 12-1675, 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 not more than 10% of the moneys available for investment under this subsection may be invested in mortgage backed securities of such enterprises and of the government national mortgage association;

(2) interest-bearing time deposits in any of the following, which is doing business within the state of Kansas, any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank; or

(3) repurchase agreements of ~~less than 30 days' duration~~ with a Kansas bank, savings and loan association, a federally chartered savings bank 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) The investment policy of any city or county approved by the pooled money invest-

ment board under this section shall be reviewed and approved at least annually by such board or when such city or county makes changes in such investment policy.

(c) City and county investment policies shall address liquidity, diversification, safety of principal, yield, maturity and quality, and capability of investment management staff.

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

(2) All securities shall be perfected in the name of the city or county 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 the following, which is doing business within the state of Kansas, any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank; 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. 17-1254, and amendments thereto.

(4) The maximum maturity for investments under ~~paragraphs (1) and (2)~~ of subsection (a) shall be four years except for mortgage backed securities which shall have a maximum maturity of seven years and three months.

(e) 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, except for the 10% limitation on mortgage-backed securities. For purposes of this subsection, "interest rate risk" means market value changes due to changes in current interest rates.

(f) A city or county which violates subsection (c) or (d) of K.S.A. 12-1675 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.

History: L. 1992, ch. 146, § 2; July 1.

75-4201. Definitions. As used in this act, unless the context otherwise requires:

- (a) "Treasurer" means state treasurer.
- (b) "Controller" means director of accounts and reports.
- (c) "Board" means the pooled money investment board.
- (d) "Bank" means a state or national bank doing business within the state of Kansas.
- (e) "State moneys" means all moneys in the treasury of the state or coming lawfully into the possession of the treasurer.
- (f) "Custodial moneys" means state moneys deposited with the treasurer which, in the written opinion of the attorney general, are required by contract, bequest or law to be segregated from other bank accounts.
- (g) "Special moneys" means moneys which are required to be or are deposited in a custodial bank account or a fee agency account by the state or any agency thereof.
- (h) "State bank account" means state moneys or special moneys deposited in accordance with the provisions of this act.

(i) "Operating account" means a state bank account which is payable or withdrawable, in whole or in part, on demand.

(j) "Investment account" means a state bank account which is not payable on demand but shall not include custodial accounts.

(k) "Market rate" means the average of the average equivalent yields, with equivalent maturities, of: (1) United States government securities; and (2) debt obligations of the following United States government agencies, federal home loan banks, federal national mortgage association and federal farm credit bank.

(l) "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.

(m) "Custodial account" means a state bank account of custodial moneys.

(n) "Fee agency account" means a state bank account of any state agency consisting of fees, tuition or charges authorized by law prior to remittance to the state treasurer.

(o) "Disbursement" means a payment of any kind whatsoever made from the state treasury or from any operating account, except transfer of state or special moneys between or among operating accounts and investment accounts or either or both of them.

(p) "Securities" means, for the purposes of K.S.A. 75-4218, and amendments thereto, any one or more of the following:

(1) 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 sponsored enterprises which under federal law may be accepted as security for public funds.

(2) Kansas municipal bonds which are general obligations of the municipality issuing the same.

(3) Revenue bonds of any agency or arm of the state of Kansas.

(4) Revenue bonds of any municipality, as defined by K.S.A. 10-101, and amendments thereto, within the state of Kansas or bonds issued by a public building commission as authorized by K.S.A. 12-1761, and amendments thereto, if approved by the state bank commissioner, except (A) bonds issued under the provisions of K.S.A. 12-1740 *et seq.*, and amendments thereto, unless such bonds are rated at least MIG-1 or Aa by Moody's Investors Service or AA by Standard & Poor's Corp.

For liquidity investments, the 0-90 day rate shall be computed on the average federal funds rate.

and (B) bonds secured by revenues of a utility which has been in operation for less than three years. Any expense incurred in connection with granting approval of revenue bonds shall be paid by the applicant for approval.

(5) Temporary notes of any municipal corporation or quasi-municipal corporation within the state of Kansas which are general obligations of the municipal corporation or quasi-municipal corporation issuing the same.

(6) Warrants of any municipal corporation or quasi-municipal corporation within the state of Kansas the issuance of which is authorized by the state board of tax appeals and which are payable from the proceeds of a mandatory tax levy.

(7) Bonds of any municipal or quasi-municipal corporation of the state of Kansas 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 direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America. A copy of such escrow agreement shall be furnished to the treasurer.

(8) Securities listed in paragraph (13) of subsection (d) of K.S.A. 9-1402 and amendments thereto within limitations of K.S.A. 9-1402 and amendments thereto. Such securities may be accepted or rejected by the treasurer.

(9) All of such securities shall be current as to interest according to the terms thereof.

(10) Whenever a bond is authorized to be pledged as a security under this section, such bond shall be accepted as a security if: (i) In the case of a certificated bond, it is assigned, delivered or pledged to the holder of the deposit for security; (ii) in the case of an uncertificated bond, registration of a pledge of the bond is authorized by the system and the pledge of the uncertificated bond is registered; or (iii) in a form approved by the attorney general, which assures the availability of the bond proceeds pledged as a security for public deposits.

(q) "Savings bank" means a federally chartered savings bank insured by the federal deposit insurance corporation and doing business within the state of Kansas.

(r) "Savings and loan association" means a state or federally chartered savings and loan association insured by the federal deposit insurance corporation and doing business within the state of Kansas.

History: L. 1967, ch. 447, § 1; L. 1968, ch. 236, § 2; L. 1969, ch. 411, § 1; L. 1970, ch. 365, § 1; L. 1970, ch. 63, § 2; L. 1975, ch. 453, § 1; L. 1978, ch. 360, § 1; L. 1982, ch. 362, § 1; L. 1983, ch. 49, § 96; L. 1986, ch. 331, § 1; L. 1989, ch. 48, § 104; L. 1991, ch. 262, § 1; L. 1992, ch. 146, § 10; July 1.

Attorney General's Opinions:

Management and investment of freeway funds; prudent person standard. 89-123.

75-4209. Investment accounts; types of investments; procedures; requirements permitted. (a) After the board determines the liquidity needs for the state, and determines the varying maturities of the investment accounts to be offered and the amount of state moneys to be invested in each of the maturities offered, in accordance with rules and regulations adopted pursuant to K.S.A. 1992 Supp. 75-4232, the board shall make available state moneys eligible for investment accounts in the following manner:

(1) (A) The board shall offer to all banks, on a competitive bid basis, state moneys for deposit in investment accounts at maturities of not more than four years and such bids shall be at a rate of at least the market rate, as defined in subsection (k) of K.S.A. 75-4201 and amendments thereto.

(B) As part of the offering under subparagraph (A) the board shall offer to all banks, on a twelve-month average, 50% of the amount of state moneys available for investment or \$350,000,000, whichever amount is greater, at maturities of not more than four years and at the investment rate as defined in subsection (l) of K.S.A. 75-4201 and amendments thereto. Such accounts shall be apportioned by the board among the banks which propose to receive such accounts and which qualify therefor on the basis of the ratio of each bank's combined capital, undivided profits and surplus to the total capital, undivided profits and surplus of all such banks.

(2) The board may invest and reinvest state moneys eligible for investment which are not invested in accordance with paragraph (1), in the following investments:

(A) Direct obligations of, or obligations that are insured as to principal and interest by, the

United States of America or any agency thereof and obligations and securities of the United States sponsored enterprises which under federal law may be accepted as security for public funds, except that not more than 10% of the moneys available for investment under this subsection may be invested in mortgage backed securities of such enterprises and of the government national mortgage association; ~~or~~

(B) ~~repurchase agreements of less than 30 days' duration~~ with a Kansas bank or a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof and obligations and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds;

(b) At any time moneys are available for deposits or investments for a period of time which is insufficient to permit deposit in investment accounts or to provide for the liquidity needs for the state, the board may invest such moneys in repurchase agreements as authorized in subparagraph (B) of paragraph (2) of subsection (a).

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

(d) When moneys are available for deposits or investments, the board may invest in loans pursuant to legislative mandates, except that not more than the lesser of 10% or \$80,000,000 of the state moneys shall be invested.

; or (C) investments in state agency and SKILL act projects and bonds pursuant to section 9.

(e) Interest on investment accounts in banks is to be paid at maturity, but not less than annually, except that interest on such investment accounts awarded between August 1, 1992, and June 30, 1993, is to be paid no later than June 30, 1993.

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

(g) Investments under ~~paragraph (1) and subparagraph (A) of paragraph (2) of subsection (a)~~ shall be for a period not to exceed four years, except for investments in mortgage-backed securities.

(h) Investments in securities under subparagraph (A) of paragraph (2) 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 except for the 10% limitation on mortgage-backed securities. For purposes of this subsection, "interest rate risk" means market value changes due to changes in current interest rates.

History: L. 1967, ch. 447, § 13; L. 1975, ch. 453, § 4; L. 1976, ch. 393, § 1; L. 1982, ch. 362, § 4; L. 1992, ch. 146, § 14; July 1.

75-4212a. Operating accounts, insufficient balances, state authorized to borrow; limitations. Whenever the balance in operating accounts is insufficient to meet the state's obligations, and there are state moneys in ~~investment accounts~~, the treasurer, with approval of the board, may borrow upon the security of any one or more investment accounts an amount sufficient to meet the state's obligations. Any such loan shall be repaid in full within 60 days or prior to July 1, whichever occurs first. Interest payment by the state for any loan under this section shall be made only

authorized investment
: (A)

by way of setoff from interest obligations to the state from the bank making such loan. The amount borrowed under this section from any bank, shall never exceed an amount equal to the amount of state moneys on deposit in such bank.

History: L. 1975, ch. 453, § 12; L. 1992, ch. 146, § 16; July 1.

; or

(B) enter into reverse repurchase agreements utilizing securities purchased by the board pursuant to subsection (a) (2) (A) of KSA 1992 Supp. 75-4209 and amendments thereto. Such reverse repurchase agreements may be entered into with Kansas banks or primary government securities dealers which report to the market reports division of the federal reserve bank of New York. Expenses of reverse repurchase agreements shall be paid by deducting such expenses against other interest income to the state.

75-4213. Custodial accounts; deposits; investments. Custodial accounts shall be arranged for by the board, ~~but the aggregate of custodial accounts in any bank shall not exceed 10% of the deposits of such bank's statement of last official call.~~ Whenever it appears to the board that certain moneys may be required to be deposited in custodial accounts, the chairperson shall request the opinion of the attorney general, who shall render an opinion thereon within two weeks. ~~No commitment shall be made to maintain all or any portion of any custodial account for a period of more than 12 months.~~ Custodial moneys shall not be considered in determining limitations imposed by this act on other types of bank accounts. Custodial accounts may be demand deposits or interest bearing deposits, as determined by the board, and if the custodial accounts are interest bearing the rate thereof shall be the investment rate, as defined in subsection (1) of K.S.A. 75-4201, and amendments thereto. The board may invest custodial moneys in repurchase agreements ~~of less than 30 days' duration~~ with a Kansas bank 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.

or enterprise

History: L. 1967, ch. 447, § 18; L. 1975, ch. 453, § 8; L. 1987, ch. 295, § 12; L. 1992, ch. 146, § 17; July 1.

(a) Before the Kansas development finance authority issues any bonds for any state agency project or a project pursuant to the SKILL act, the authority shall conduct a feasibility analysis and recommend to the secretary of administration any project which appears appropriate for consideration to offer to the pooled money investment board as an alternative investment. If the secretary of administration approves the recommendation, the secretary shall give notice of such approval to the chairperson of the pooled money investment board in writing. If the pooled money investment board and the secretary of administration reach agreement on the terms and conditions of the financing, the pooled money investment board may invest in any such project.

(b) Unless the pooled money investment board has declined the investment, the authority shall not proceed to issue bonds for any project offered to the pooled money investment board until at least 15 days after the secretary of administration's notice to the pooled money investment board pursuant to subsection (a).

(c) The authority shall give notice to the pooled money investment board of the public sale of bonds for any state agency or SKILL act projects. The pooled money investment board is authorized to purchase any such bonds.

FILED

AUG 18 1992

BILL GRAVES
SECRETARY OF STATE



FILED

AUG 19 1992

BILL GRAVES
SECRETARY OF STATE

KANSAS COMMISSION ON GOVERNMENTAL STANDARDS AND CONDUCT

STATEMENT OF SUBSTANTIAL INTERESTS FOR INDIVIDUALS WHOSE

APPOINTMENT TO STATE OFFICE IS SUBJECT TO SENATE CONFIRMATION

INSTRUCTIONS. This statement (pages 1 through 4) must be completed by each person whose appointment to a state position is subject to Senate confirmation (K.S.A. 46-247 and 46-248). Failure to complete and return this statement may result in a fine of \$10 per day for each day it remains unfiled. Also, any individual who intentionally fails to file as required by law, or intentionally files a false statement, is subject to prosecution for a class B misdemeanor.

Please read the "Guide" and "Definition" section provided with this form for additional assistance in completing sections "C" through "G". If you have questions or wish assistance, please contact the Commission office at 109 West 9th, Topeka, KS or call 913-296-4219.

A. IDENTIFICATION:

PLEASE TYPE OR PRINT

MAX MARVIN J

Last Name

First Name

MI

MAX GERTRUDE C

Spouse's Name

9700 LAMAR

Number & Street Name, Apartment Number, Rural Route, or P.O. Box Number

OVERLAND PARK, KS 66207

City, State, Zip Code

913 ** 648 ** 4166 913 ** 648 ** 6666

Home Phone Number

Business Phone Number

B. APPOINTED POSITION SUBJECT TO SENATE CONFIRMATION:

STATE BANKING BOARD

List Name of Agency, Commission or Board

MEMBER

Position

* The last four digits of your social security number will aid in identifying you from others with the same name on the computer list. This information is optional.

* 7631

F/H 1/28/93

C. **OWNERSHIP INTERESTS:** List any corporation, partnership, proprietorship, trust, joint venture and every other business interest, including land used for income in, which either you or your spouse has owned within the preceding 12 months a legal or equitable interest exceeding \$5,000 or 5%, whichever is less. If you or your spouse own more than 5% of a business, you must disclose the percentage held. Please insert additional page if necessary to complete this section.
If you have nothing to report in Section "C", check here .

BUSINESS NAME AND ADDRESS		TYPE OF BUSINESS	DESCRIPTION OF INTERESTS HELD	HELD BY WHOM	PERCENT OF OWNERSHIP INTERESTS
1. STUDY SYSTEMIZER *	P.O. Box 6763, S.M., KS 66206	MFG., SALE & DISTRIBUTION EDUC. PROGRAMS	GENERAL PARTNERSHIP	<input checked="" type="checkbox"/> You	<u>25</u>
				<input checked="" type="checkbox"/> Spouse	<u>25</u>
2. THE CLASSROOM	9700 LAMAR, OPKS 66207	PRIVATE SCHOOL	PROPRIETORSHIP	<input type="checkbox"/> You	<input type="checkbox"/> Jointly
				<input checked="" type="checkbox"/> Spouse	<u>100</u>
3.				<input type="checkbox"/> You	<input type="checkbox"/> Jointly
* SON & DAUGHTER-IN-LAW EACH OWN				<input type="checkbox"/> Spouse	<input type="checkbox"/> Jointly
4. 25% OF THIS PARTNERSHIP				<input type="checkbox"/> You	<input type="checkbox"/> Jointly
				<input type="checkbox"/> Spouse	<input type="checkbox"/> Jointly
5. BROTHERHOOD BANK & TRUST	756 MINNESOTA AVE., KOKS 66101	COMMERCIAL BANK	SHARES OF STOCK	<input type="checkbox"/> You	<input type="checkbox"/> Jointly
				<input checked="" type="checkbox"/> Spouse	<input type="checkbox"/> Jointly
6. MARVIN J. MAX TRUST	9700 LAMAR, OPKS 66207	REVOCABLE TRUST	GRANTOR TRUST	<input checked="" type="checkbox"/> You	<u>100</u>
				<input type="checkbox"/> Spouse	<input type="checkbox"/> Jointly
7. GERTRUDE C. MAX TRUST	9700 LAMAR, OPKS 66207	REVOCABLE TRUST	GRANTOR TRUST	<input type="checkbox"/> You	<input type="checkbox"/> Jointly
				<input checked="" type="checkbox"/> Spouse	<u>100</u>

D. **GIFTS OR HONORARIA:** List any person or business from whom you or your spouse either individually or collectively, have received gifts or honoraria having an aggregate value of \$500 or more in the preceding 12 months.
If you have nothing to report in Section "D", check here ✓ .

NAME OF PERSON OR BUSINESS FROM WHOM GIFT RECEIVED	ADDRESS	RECEIVED BY:
1.		
2.		
3.		

E. **RECEIPT OF COMPENSATION:** List all places of employment in the last calendar year, and any other businesses from which you or your spouse received \$2,000 or more in compensation (salary, thing of value, or economic benefit conferred on in return for services rendered, or to be rendered), which was reportable as taxable income on your federal income tax returns.

1. YOUR PLACE(S) OF EMPLOYMENT OR OTHER BUSINESS IN THE PRECEDING CALENDAR YEAR. IF SAME AS SECTION "B", CHECK HERE ____.

If you have nothing to report in Section "E"1, check here ____.

	NAME OF BUSINESS	ADDRESS	TYPE OF BUSINESS
1.	BROTHERHOOD BANK & TRUST	756 MINNESOTA AVE. KC KS 66101	COMMERCIAL BANK
2.			

2. SPOUSE'S PLACE(S) OF EMPLOYMENT OR OTHER BUSINESS IN THE PRECEDING CALENDAR YEAR.
If you have nothing to report in Section "E"2, check here ____.

	NAME OF BUSINESS	ADDRESS	TYPE OF BUSINESS
1.	THE CLASSROOM	9700 LAMAR OPKS 66207	PRIVATE SCHOOL
2.			

F. **OFFICER OR DIRECTOR OF AN ORGANIZATION OR BUSINESS:** List any organization or business in which you or your spouse hold a position of officer, director, associate, partner or proprietor at the time of filing, irrespective of the amount of compensation received for holding such position. Please insert additional page if necessary to complete this section.
If you have nothing to report in Section "F", check here ____.

	BUSINESS NAME AND ADDRESS	POSITION HELD	HELD BY WHOM
1.	STUDY SYSTEMIZER P.O. BOX 6763, SAL KS 66206	GENERAL PARTNER	M.J. MAX + SPOUSE
2.	THE CLASSROOM 9700 LAMAR, OPKS 66207	PROPRIETOR	SPOUSE
3.	CENTRAL MO. STATE UNIVERSITY FOUNDATION WARRENSBURG, MO	DIRECTOR	M.J. MAX
4.	COLONIAL PRESBYTERIAN CHURCH 9500 WORNALL, KCMO 64113	ELDER-ELECT	M.J. MAX
5.	GREATER KC COUNCIL ON YOUTH LEADERSHIP 28 W. BRIDLESPUR TERR., KCMO 64114	CO-CHAIR DIRECTOR	SPOUSE

- G. **RECEIPT OF FEES AND COMMISSIONS:** List each client or customer who pays fees or commissions to a business or combination of businesses from which fees or commissions you or your spouse received an aggregate of \$2,000 or more in the preceding calendar year. The phrase "client or customer" relates only to businesses or combination of businesses. In the case of a partnership, it is the partner's proportionate share of the business, and hence of the fee, which is significant, without regard to expenses of the partnership. An individual who receives a salary as opposed to portions of fees or commissions is generally not required to report under this provision. Please insert additional page if necessary to complete this section.

If you have nothing to report in Section "G", check here ____.

	NAME OF CLIENT / CUSTOMER	ADDRESS	RECEIVED BY
1.	MR. & MRS. ROBERT C. FINDLAY	10904 W. 100TH TERR. S.M., KS 66214	SPOUSE
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			

H. **DECLARATION:**

I, MARVIN J. MAX, declare that this statement of substantial interests (including any accompanying pages and statements) has been examined by me and to the best of my knowledge and belief is a true, correct and complete statement of all of my substantial interests and other matters required by law. I understand that the intentional failure to file this statement as required by law or intentionally filing a false statement is a class B misdemeanor.

8/14/92

Date

Marvin J. Max

Signature of Person Making Statement

NUMBER OF ADDITIONAL PAGES 0.

Return your completed statement to the Secretary of State, State House, Topeka, Kansas 66612.

F14 1/28/93
2-4

SENATE CONFIRMATION QUESTIONNAIRE
APPOINTMENTS BY GOVERNOR JOAN FINNEY

Name: MARVIN J. MAX

Home Address: 9700 LAMAR

City, State, Zip Code: OVERLAND PARK, KS 66207

Home Phone: 913, 648-1166

Business Address: 9700 LAMAR

City, State, Zip Code: OVERLAND PARK, KS 66207

Business Phone: 913, 648-6666

Date of Birth: 10-2-30 Place of Birth KCMO

Party Affiliation REPUBLICAN KBI Check (Yes/No) YES

Appointed as: AT-LARGE MEMBER - KANSAS STATE BANKING BOARD

Effective 7-1-92 for the THREE YEAR term

ending 4-30-95 Succeeding Mark Hair

Salary \$35.00 PER DAY, PLUS MILEAGE & LODGING Statutory Authority K.S.A. 74-3004

Statutory Requirements _____

1. EDUCATION:

High School CENTRAL HIGH SCHOOL, KCMO

Year Graduated 1947

Postsecondary

Degree, etc.

Dates

KCMO - JUNIOR COLLEGE

-

9-1947 To 1-1949

UNIVERSITY OF MO. - COLUMBIA

-

1-1949 To 5-1949

CENTRAL MO. STATE UN. - WARRENSBURG BSBA

9-1949 To 5-1951

2. MEMBERSHIP IN BUSINESS, TRADE AND PROFESSIONAL ORGANIZATIONS DURING PAST 10 YEARS:

Dates	Name	Location
-------	------	----------

_____	SEE ATTACHED SHEET	_____
_____	_____	_____
_____	_____	_____

3. HAVE YOU EVER BEEN ELECTED OR APPOINTED TO ANY PUBLIC OFFICE IN KANSAS? Yes X No
If so, please list dates and offices held.

Date	Office
------	--------

_____	_____
_____	_____
_____	_____

4. HAVE YOU EVER BEEN EMPLOYED BY OR HELD A POSITION OR OFFICE WITH ANY FEDERAL, FOREIGN STATE, OR LOCAL GOVERNMENTAL ENTITY OR AGENCY? NO
If so, please list dates and offices held:

_____	_____
_____	_____
_____	_____

5. HAVE YOU BEEN A REGISTERED LOBBYIST OR EMPLOYED A REGISTERED LOBBYIST AT ANY TIME DURING THE PAST 5 YEARS? NO

If you were a registered lobbyist, did you receive any compensation?

List groups you represented or for which you employed a lobbyist:

6. EXPERIENCE OR INTERESTS WHICH QUALIFY YOU FOR THE OFFICE TO WHICH YOU HAVE BEEN APPOINTED:

SEE ATTACHED SHEET

7. SUMMARY OF BUSINESS OR PROFESSIONAL EXPERIENCE:

SEE ATTACHED SHEET

8. HAVE YOU EVER BEEN A MEMBER OF THE ARMED FORCES OF THE UNITED STATES? YES

If so, please list dates of service, branch of service and date and type of discharge:

1-1950 TO 11-1953 US NAVY RESERVE

HONORABLE DISCHARGE
11-24-53

9. HAVE YOU EVER BEEN ARRESTED, CHARGED OR HELD BY FEDERAL, STATE OR OTHER LAW ENFORCEMENT AUTHORITIES FOR VIOLATION OF ANY FEDERAL LAW, STATE LAW, COUNTY OR MUNICIPAL LAW, REGULATION OR ORDINANCE (EXCLUDING TRAFFIC VIOLATIONS FOR WHICH A FINE OF \$100 OR LESS WAS IMPOSED)? NO

10. DISPOSITION OF ANY INTERESTS THAT MIGHT HAVE PRESENTED A POTENTIAL CONFLICT OF INTEREST FOR THIS POSITION.

NO CONFLICTS

Return to: Mary Holladay
Appointment Secretary
Office of the Governor
2nd Floor, State Capitol
Topeka, KS 66612

Marvin J. May
Signature

F141 1128/93

2-7

Supplementary Schedule to Senate Confirmation Questionnaire

2. Membership in business, trade and professional organizations during past 10 years:

Dates	Name	Location
2/1970 - 12/1991	Kansas Bankers Ass'n.- Governing Council member 1988 & 1991	Topeka, KS
2/1970 - 12/1991	American Bankers Ass'n.	Wash., DC
8/1956 - 12/1991	American Institute of CPAs	Wash., DC
2/1970 - 12/1983	Eastern KS Estate Planning Council	K.C., KS
2/1970 - 12/1985	Corporate Fiduciaries Ass'n.	K.C., MO

6. Experience or interests which qualify you for the office to which you have been appointed:

Served a total of 33 years in banking
President and CEO of Brotherhood Bank & Trust, K.C., KS,
from 7/1985 to 12/1991
Currently serving as consultant to Brotherhood Bank
through September, 1992
Hold CPA Certificate - From State of Missouri
Prepare numerous individual, corporation, and partnership
income tax returns
Have considerable experience in estate and financial
planning

7. Summary of business or professional experience:

Served 8 years in public accounting and 33 years in
banking
Co-owner of Study Systemizer, a partnership - With wife,
Gertie, have developed a work habits and study skills
program for elementary and secondary school children -
Marketed to school systems locally and nationally - 1988
to present
Held positions of leadership in numerous civic,
charitable, and professional organizations

FILE 1/28/93
2-8



James R. Turner, President

Suite 512
700 Kansas Avenue
Topeka, Kansas 66603
(913) 232-8215

January 28, 1993

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER
RE: S.B. 58 (SAVINGS AND LOAN DEPARTMENT)

The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the Senate Committee on Financial Institutions and Insurance in support of S.B. 58 which would abolish the State Savings and Loan Department, Board, and Commissioner and transfer the powers, duties, and functions to the State Banking Department.

For over 50 years an independent Savings and Loan Department has been sustained by the fees and assessments of the State-Chartered savings and loans in Kansas. The diminished number of State-Chartered, combined with the Federal pre-emptions of powers contained in the 1989 FIRREA law, has created a situation where an independent agency can no longer be financially sustained by the remaining State-Chartered thrifts.

There presently are thirteen State-Chartered Savings and Loan in Kansas, of which, eleven have initiated plans to convert to Federal charters which we anticipate being completed by June 30 of this year. The conversion to a Federal charter eliminates a third examination/assessment cost. Since it would be expensive and inefficient for 2 or 3 remaining S&Ls to attempt to sustain an independent department we support the abolition and transfer to the State Banking Department as provided in S.B. 58.

Finally, we would point out that this is not a unique development. In recent years State-Chartered institutions in Minnesota and Iowa were either converted or transferred to the Banking Department and the State-Chartered thrifts in Nebraska have been housed in one consolidated State agency for many years.

Accordingly, we would request the Committee report S.B. 58 favorably for passage.

James R. Turner
President

JRT:bw

Encl.

E141 1-28-93

Attachment #3

STATE CHARTERED ASSOCIATIONS IN KANSAS

CHANUTE - Home Savings Association

ELLIS - Golden Belt Banking and Savings Association

FORT SCOTT - Liberty Savings and Loan Association

HUGOTON - Southwestern Savings and Loan Association

KANSAS CITY - Argentine Savings and Loan Association

KINSLEY - Investors Savings and Loan Association

LEAVENWORTH - Citizens Savings and Loan Association

LEAVENWORTH - Mutual Savings Association

NEODESHA - Neodesha Savings and Loan Association

OVERLAND PARK - Pioneer Savings and Loan Association

SALINA - Security Savings and Loan Association

TOPEKA - Postal Savings and Loan Association

WICHITA - United Savings and Loan Association

F141 1/28/93

3-2

TESTIMONY BEFORE
THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

Thursday, January 28, 1993

SENATE BILL 31, amends K.S.A. 9-1801, 9-1903, 9-1904, 9-1905, 9-1906, and 9-1907. Currently, Article 19 defines when a bank is insolvent and mandates certain actions which the commissioner must undertake. They require the commissioner to take control of an insolvent institution and, if such cannot resume business, he must appoint a receiver.

Under the new Federal Deposit Insurance Corporation Improvement Act (FDICIA), the Federal Deposit Insurance Corporation (FDIC) now has the power and is mandated to take control of an institution, and to close such institution within 270 days, if the bank is considered to be critically undercapitalized. A bank is critically undercapitalized when its Capital Stock, Surplus, Undivided Profits, Contingencies or Capital Reserves, Non Cumulative Perpetual Preferred Stock, less disallowed intangibles and any known loss plus outstanding cumulative perpetual preferred stock to total assets is equal to or less than two percent. This law went into effect as of December 19, 1992 and was referred to by many as the "December Surprise." In reality it turned out to be the "December Fizzle." Only 26 banks in the United States, with \$7 billion dollars in assets, fall under the category of critically undercapitalized. In Kansas, we have no state chartered banks with capital of less than two percent. This change in the law gives the FDIC the new power to take control of banks and to close those institutions. FDIC has never had such authority before; only the chartering authority could close an institution.

F/41 1/28/93
Attachment #4

The amendments we are asking the legislature to approve would give the banking department parity with the new power the FDIC has received. It would broaden the power of the Commissioner to take control and close a bank, previously allowed only at insolvency, to do such action when a bank is critically undercapitalized. We feel that it is important that the issue of whether a Kansas state chartered bank remain open or be closed rest with the state chartering authority versus the Board of Governors of the FDIC in Washington, D.C. By amending our statutes to mirror the threshold for taking control of a bank to that of the FDIC, we will accomplish this goal. While amending our statute does not limit the power of the FDIC to take charge of, or close, a critically undercapitalized bank, it gives the Bank Commissioner equal authority.

Additionally, K.S.A. 9-1801 is being amended to allow the Commissioner to grant an emergency charter to applicants wishing to acquire a bank or trust company that was closed as a result of being critically undercapitalized. The statute currently only allows this upon dissolution or insolvency.

The department has met with Fred Carmen of the Revisor's Office and a balloon amendment is attached. Technical changes in the language have been made.

We would ask for favorable consideration of this bill.

F141 1/28/93
42

SENATE BILL No. 31

By Committee on Financial Institutions and Insurance

1-15

and trust companies

receiver for financial institutions

AN ACT concerning banks, critically undercapitalized; amending
K.S.A. 9-1801, 9-1803, 9-1904, 9-1905, 9-1906 and 9-1907 and
repealing the existing sections.

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

~~New Section 1. A bank or trust company shall be deemed to be
critically undercapitalized when the ratio of its Tier-I capital plus
the amount of outstanding cumulative perpetual preferred stock (in-
cluding related surplus) to total assets is equal to or less than 2.0
percent. Any bank deemed to be insolvent pursuant to K.S.A. 9-
1902 and amendments thereto shall be deemed critically
undercapitalized.~~

Sec. 2. K.S.A. 9-1801 is hereby amended to read as follows: 9-
1801. (a) No bank or trust company hereafter shall be organized or
incorporated under the laws of this state, nor shall any such insti-
tution transact either a banking business or a trust company business
in this state, until the application for its incorporation and application
for authority to do business has been submitted to and approved by
the board. The board shall approve or disapprove the organization
and establishment of any such institution in the city or town in
which the same is sought to be located. The form for making any
such application shall be prescribed by the board and any application
made to the board shall contain such information as it shall require.
The board shall not approve any such application until it first in-
vestigates and examines such application and the applicants.

(b) ~~If upon the dissolution or insolvency critical undercapital-~~
~~ization, as defined in section 1,~~ of any bank, trust company, national
bank association, savings and loan association, savings bank or credit
union, it is the opinion of the commissioner that by reason of the
loss of services in the community, an emergency exists which may
result in serious inconvenience or losses to the depositors or the
public interest in the community, the commissioner may accept and
approve an application for incorporation and application for authority
to do business from applicants for the organization and establishment
of a successor bank or trust company, subject to confirmation and
subsequent approval by the board. Upon approval of an application

New Section 1. A bank or trust company is
critically undercapitalized when the ratio of its
capital to total assets is equal to or less than 2.0%.
For the purposes of this section, capital shall be the
sum total of the institution's common stock, surplus,
undivided profits, capital reserves, noncumulative
perpetual preferred stock and outstanding cumulative
perpetual preferred stock (including related surplus).

, insolvency or appointment of a receiver

66/28/93
F14
4-3

for the organization and establishment of any such successor bank or trust company, the commissioner shall no later than the next regular meeting of the board submit such application to the board for its confirmation and approval.

Sec. 3. K.S.A. 9-1903 is hereby amended to read as follows: 9-1903. If it shall appear upon the examination of any bank or trust company or from any report made to the commissioner that any bank or trust company is insolvent, then it shall be the duty of the commissioner forthwith to critically undercapitalized, the commissioner may take charge of such bank or trust company and all of its property and assets. If from such examination or reports it shall appear any bank or trust company is insolvent the commissioner shall take charge of such bank or trust company and all of its property and assets. In so doing the commissioner may appoint a special deputy commissioner to take charge temporarily of the affairs of such insolvent/critically undercapitalized bank or trust company until a receiver is appointed. Such deputy shall qualify, give bond and receive compensation the same as the regular examiner/determined by the commissioner, but such compensation shall be paid by the insolvent/critically undercapitalized bank or trust company or in case of the appointment of a receiver allowed by the court as costs in the case. *Provided, That in no case shall any bank or trust company continue in charge of a special deputy for a longer period than six months. After appointment, the special deputy shall continue to serve under the direction of the commissioner for such period of time as deemed reasonable by the commissioner before returning charge of the bank or trust company back to the board of directors of the institution or appointing a receiver. In no case shall any bank or trust company continue in the charge of a special deputy for a period exceeding nine months.*

insolvent or

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insolvent or

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Sec. 4. K.S.A. 9-1904 is hereby amended to read as follows: 9-1904. The stockholders of any insolvent/bank or trust company and its depositors and creditors may formulate a plan for the reorganization of such bank or trust company while the same is in charge of the commissioner or a special deputy commissioner or a receiver, at any time before a dividend has been paid. The depositors and creditors of such insolvent/bank or trust company may formulate a plan for the reorganization thereof, and if such plan is subscribed to in writing by creditors and depositors having not less than eighty percent 80% in amount of the known claims against said such bank or trust company, and such plan shall be approved by the board, and a copy thereof filed with the commissioner, the same shall be held to be legal, valid and binding upon all depositors and creditors

insolvent or critically undercapitalized

insolvent or critically undercapitalized

66/82/1 141
F 141 1/28/93
4-4

1 of such insolvent bank or trust company to the same extent and
2 with the same effect as if all of the depositors and creditors had
3 joined in the execution thereof.

insolvent or critically undercapitalized

4 As used in this section "depositors" and "creditors" shall mean
5 and include the pooled money investment board acting for and on
6 behalf of the state of Kansas and the governing body of any county,
7 township, city, drainage district, school district, sewer district or
8 other governmental subdivision and as such they are hereby au-
9 thorized to join in the execution of any plan for the reorganization
10 of any insolvent bank with the same legal effect and validity as any
11 individual depositor or creditor.

insolvent or critically undercapitalized
or trust company

12 Sec. 5. K.S.A. 9-1905 is hereby amended to read as follows: 9-
13 1905. When the commissioner shall take charge of any bank or trust
14 company he or she pursuant to article 19 of chapter 9 of the Kansas
15 Statutes Annotated and amendments thereto, the commissioner shall
16 ascertain its actual condition as soon as possible by making a thorough
17 investigation into its affairs and condition, and if the commissioner
18 shall be satisfied that such bank or trust company cannot sufficiently
19 recapitalize, resume business or liquidate its indebtedness to the
20 satisfaction of its depositors and creditors, then the commissioner
21 forthwith shall appoint a receiver therefor and require the receiver
22 to give such bond as the commissioner deems proper. The com-
23 missioner also shall fix reasonable compensation for the receiver but
24 the same shall be subject to the approval of the district court of the
25 county wherein such bank or trust company is located upon the
26 application of any party in interest.

insolvent or critically undercapitalized

27 Any receiver shall be a resident of the state of Kansas and shall
28 have had at least five years credit experience; ~~Provided, That~~ Upon
29 written application made within thirty 30 days after the finding of
30 insolvency the commissioner shall appoint as receiver any person
31 whom the holders of more than sixty percent 60% in amount of
32 the claims against such bank or trust company shall agree upon in
33 writing; and. The creditors so agreeing may also agree upon the
34 compensation and charges to be paid such receiver. Each receiver
35 so appointed shall make a complete report to the commissioner
36 covering the receiver's acts and proceedings as such. The commis-
37 sioner may remove for cause any receiver and appoint the receiver's
38 successor.

39 Sec. 6. K.S.A. 9-1906 is hereby amended to read as follows: 9-
40 1906. (a) The A receiver appointed pursuant to K.S.A. 9-1905 and
41 amendments thereto, under the direction of the commissioner, shall
42 take charge of any insolvent bank or trust company and all of its
43 assets and property, and liquidate the affairs and business thereof

insolvent or critically undercapitalized

FILE 1/28/93 4-5

66/82/1
4-6
F14

1 for the benefit of its depositors, creditors and stockholders. The
2 receiver may sell or compound all bad and doubtful debts and sell
3 all the property of the bank or trust company upon such terms as
4 the district court of the county where the bank or trust company is
5 located shall approve. The receiver shall pay over all moneys received
6 to the creditors and depositors of such bank or trust company as
7 ordered by the commissioner.

8 (b) In distributing assets of ~~an insolvent the~~ bank or trust com-
9 pany in payment of its liabilities, the order of payment, in the event
10 its assets are insufficient to pay in full all of its liabilities, shall be
11 by category as follows:

12 (1) The costs and expenses of the receivership and real and per-
13 sonal property taxes assessed against the bank pursuant to applicable
14 law;

15 (2) claims which are secured or given priority by applicable law;

16 (3) claims of unsecured depositors;

17 (4) all other claims exclusive of claims on capital notes and
18 debentures;

19 (5) claims on capital notes and debentures.

20 Should the assets be insufficient for the payment in full of all
21 claims within a category, such claims shall be paid in the order
22 provided by other applicable law or, in the absence of such applicable
23 law, pro rata.

24 Sec. 7. K.S.A. 9-1907 is hereby amended to read as follows: 9-
25 1907. The federal deposit insurance corporation or its successor,
26 hereby is authorized and empowered to be and act without bond as
27 receiver or liquidator of any ~~insolvent~~ bank, the deposits in which
28 are to any extent insured by such corporation, and which bank shall
29 have been closed. In the event of any such closing of any bank the
30 commissioner may tender to the insurance corporation the appoint-
31 ment as receiver or liquidator of such bank, and if the insurance
32 corporation accepts the appointment then such insurance corporation
33 shall have and possess all the powers and privileges and shall assume
34 all the duties and requirements provided by the laws of this state
35 with respect to a state receiver or liquidator, respectively, of a bank,
36 its depositors and other creditors, and shall be subject to the juris-
37 diction of the district courts and supreme court of Kansas.

38 Sec. 8. K.S.A. 9-1801, 9-1903, 9-1904, 9-1905, 9-1906 and 9-
39 1907 are hereby repealed.

40 Sec. 9. This act shall take effect and be in force from and after
41 its publication in the statute book.

insolvent or critically undercapitalized

insolvent or critically undercapitalized