

SESSION OF 2010

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2540**

As Amended by Senate Committee on  
Financial Institutions and Insurance

**Brief\***

HB 2540, as amended, would modify current law (the General Bond Law) regarding permitted investments that the governing body of any municipality may invest the proceeds of bonds it has issued which are not currently needed. The bill would clarify that investments may be made in any direct obligation of the United States government or any federal agency, provided that the obligation is unconditionally guaranteed by the United States government. The bill also would add the obligations of the Government National Mortgage Association as permitted investments. [These investments are commonly referred to as Ginnie Maes, pools of mortgage funds guaranteed by the GNMA].

**Background**

Representative Sheryl Spaulding spoke in favor of the bill that had been requested by one of her constituents, USD 229 (Blue Valley). Representatives of USD 229 and the League of Kansas Municipalities also supported the legislation.

The House Committee made a technical amendment that was requested by USD 229 to expand the type of permitted investments in line 37 to include subsection (7) in addition to subsections (3) and (6) in current law. The change was intended to be in the bill as introduced but inadvertently omitted.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The Senate Committee on Financial Institutions and Insurance recommended an amendment to restore language in the current law that limits investments in money market funds to shares or units in those funds.

According to the League of Kansas Municipalities and the Kansas Association of Counties, the bill could result in increased revenues to cities by providing greater flexibility in investing idle bond funds. The Director of the Budget, in the fiscal note for the bill, stated that passage of SB 415 would have no effect on the state budget.