



February 21, 2025

The Honorable Brenda Dietrich, Chairperson
Senate Committee on Financial Institutions and Insurance
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Senator Dietrich:

SUBJECT: Fiscal Note for SB 115 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 115 is respectfully submitted to your committee.

SB 115 would establish the Kansas Bullion Depository Act that would allow the State Treasurer to establish and administer bullion depositories to provide a secure location for the storage of bullion. The State Treasurer could contract with a third party to act as the administrator to manage the day-to-day operations of the depositories and implement the depositories' security, storage, transactional, and administrative procedures. The administrator may enter into contractual agreements with private entities for the provision of services for bullion storage, transportation, or security. The bill includes procedures to establish a depository account and actions that an account holder may do with their account. A depository would maintain records and would have processes and systems to facilitate timely bullion purchases, sales, deposits, and withdrawals. The bill would allow a person, an individual, a corporation, a partnership, a company, an association, a trust, an estate, state agencies, counties, municipalities, and other governmental entities to use a depository for storing bullion.

The administrator would ensure that a depository has state-of-the-art security measures to prevent theft, fraud, or other unauthorized access or removal of bullion. The bill also has insurance, audit, legal, and conflict of interest provisions. The administrator would provide a quarterly report to the State Treasurer detailing the operations, transactions, and financial status of each depository. The State Treasurer would provide an annual report to the Legislature on or before the first day of the Legislative Session regarding the operations and financial status of each depository.

The bill includes language that would nullify and void any action by a non-Kansas governmental or quasi-governmental authority to confiscate a depository account or an electronic currency account, including the precious metals represented by the balance of a depository account or an electronic currency account. The State Treasurer would refer any matter relating to this confiscation to the Attorney General for resolution.

The bill would allow the Pooled Money Investment Board (PMIB) the ability to invest the state's idle fund balance on specie legal tender. The amount of the investment would not exceed 20.0 percent of the total amount of the Pooled Money Investment Portfolio at the time when the investment is made.

The State Treasurer indicates SB 115 would require at least \$400,000 from the State General Fund in FY 2026 to implement the bill. The State Treasurer assumes that much of the administrative work to implement the Kansas Bullion Depository Act would be performed by one or more third-party vendors. The State Treasurer expects that program users would be subject to maintenance fees and per-transaction fees that could increase the total costs of the program. The State Treasurer is unable to estimate these increased costs given uncertainty about the scope of vendor contracts that would be required and ultimately the market interest in the program.

Even with a vendor performing much of the day-to-day administrative work, the bill would require the State Treasurer to establish a new division and hire additional employees to manage the vendor procurement process and continuing oversight; assist with the creation of rules and regulations, and standards; and to perform other administrative tasks. At minimum, this would require the hiring of 1.00 new FTE program director position with an estimated annual salaries and wages cost of \$114,200. Additional staff and consultants would likely be needed to perform administrative and legal requirements of the bill; however, these costs are unknown and a reliable timeline of when these expenses would occur is also unknown. Computer workstation setup, software licensing, phone and jack fees, postage and printing, office furniture, and the rental of additional office space would likely be needed for this new division.

The development and construction cost required to establish one or more bullion depositories would be a significant expense for the program. Total cost to the state would depend, among other factors, on financing arrangements available through potential program vendors or other partners, but the State Treasurer is unable to provide a reliable estimate of the costs.

The State Treasurer assumes that with adequate market interest, the program's administrative expenses and other costs would eventually be funded through fees from program users of the digital currency and bullion depositors; however, future appropriations from the State General Fund would be required until the program became self-sustaining. The timeline by which the program could become self-sustaining is unknown, it would depend on market interest in the program and revenue collected from fees.

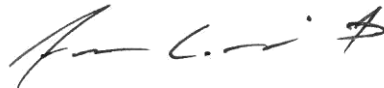
The PMIB indicates the bill permits investments in specie legal tender but does not mandate those investments. The PMIB indicates it will remain committed to its fiduciary responsibility and the guiding investment principles of safety, liquidity, and then yield. Current

cashflow needs for the state have required the PMIB to maintain a high quality and highly liquid portfolio. However, the amount of earnings that the state would earn on investments in specie legal tender is unknown, so the PMIB cannot make a precise estimate of the fiscal effect of this bill.

The Office of Judicial Administration indicates the bill is not expected to have a significant fiscal effect on expenditures for the Judicial Branch.

The Attorney General's Office indicates that the bill would require \$81,1790 from the State General Fund in FY 2026 to implement the bill. The bill has the potential to increase costs related to the resolution of unauthorized uses of a depository account upon the referral of the State Treasurer. The Office indicates it would need a new 0.50 FTE Assistant Attorney General position to handle the new responsibilities assigned to the agency. The salaries and wages for the new position are estimated to total \$66,952 and other incidental costs, including technology, training, office supplies, and other items are estimated to cost \$14,227. Any fiscal effect associated with SB 115 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam C. Proffitt', followed by a stylized dollar sign symbol.

Adam C. Proffitt
Director of the Budget

cc: John Hedges, Office of the State Treasurer
Joel Oliver, Pooled Money Investment Board
Lynn Robinson, Department of Revenue
Matt Bingesser, Office of the Attorney General
Trisha Morrow, Judiciary