

March 18, 2019

The Honorable Bud Estes, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 136-E
Topeka, Kansas 66612

Dear Senator Estes:

SUBJECT: Fiscal Note for SB 216 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 216 is respectfully submitted to your committee.

Under current law, the Director of Investments at the Pooled Money Investment Board (PMIB) is authorized to make investments of idle funds in U.S. Treasury and federal agency securities; highly rated commercial paper and corporate bonds; and repurchase agreements and certificates of deposit at Kansas banks. SB 216 would allow up to 2.0 percent of the portfolio to be invested in U.S. dollar denominated securities issued by the State of Israel that have received an A rating by a nationally recognized rating organization.

The State Treasurer's Office indicates SB 216 would provide additional options for the state to make investments of idle funds held in the State Treasury. The PMIB indicates the bill permits investments in securities issued by the State of Israel, 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 and low balances have required the PMIB to maintain a high quality and highly liquid portfolio with investment durations averaging 30-60 days in FY 2019. The current investment offerings from the State of Israel do not include any maturities under one year and the most popular securities that they offer are two-year and three-year maturities. In the future, if cashflow needs of the state and idle funds balance allow investments in longer maturities or if the State of Israel offers shorter maturities, then the PMIB would review the securities issued by the State of Israel for possible investment. However, it is unknown what the amount of interest earnings that the state would earn on investments in securities issued by the State of Israel to make a precise estimate of the fiscal effect of this bill.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Scott Miller, PMIB
Peter Northcott, Office of the Treasurer