

SENATE BILL No. 216

By Committee on Federal and State Affairs

2-25

1 AN ACT concerning state moneys; relating to allowable investments of
2 state moneys; securities issued by the state of Israel; amending K.S.A.
3 2018 Supp. 75-4209 and repealing the existing section.
4

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

6 Section 1. K.S.A. 2018 Supp. 75-4209 is hereby amended to read as
7 follows: 75-4209. (a) The director of investments may invest and reinvest
8 state moneys eligible for investment which are not invested in accordance
9 with K.S.A. 75-4237, and amendments thereto, in the following
10 investments:

11 (1) Direct obligations of, or obligations that are insured as to principal
12 and interest by, the United States of America or any agency thereof and
13 obligations and securities of the United States sponsored enterprises which
14 under federal law may be accepted as security for public funds, on and
15 after the effective date of this act moneys available for investment under
16 this subsection shall not be invested in mortgage-backed securities of such
17 enterprises and of the government national mortgage association, except
18 that any such mortgage-backed securities held prior to the effective date of
19 this act may be held to maturity;

20 (2) repurchase agreements with a bank or a primary government
21 securities dealer which reports to the market reports division of the federal
22 reserve bank of New York for direct obligations of, or obligations that are
23 insured as to principal and interest by, the United States government or any
24 agency thereof and obligations and securities of United States government
25 sponsored enterprises which under federal law may be accepted as security
26 for public funds;

27 (3) commercial paper that does not exceed 270 days to maturity and
28 which has received one of the two highest commercial paper credit ratings
29 by a nationally recognized investment rating firm; ~~and~~

30 (4) corporate bonds which have received one of the two highest
31 ratings by a nationally recognized investment rating firm; *and*

32 (5) *up to 2% of the portfolio available for investment in United States*
33 *dollar denominated securities issued by the state of Israel that have*
34 *received an A rating by a nationally recognized rating organization.*

35 (b) When moneys are available for deposit or investments, the
36 director of investments may invest in SKILL act projects and bonds

1 pursuant to K.S.A. 74-8920, and amendments thereto, and in state agency
2 bonds and bond projects.

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

8 (d) When moneys are available for deposits or investments, the
9 director of investments may invest in loans pursuant to legislative
10 mandates, except that not more than the greater of 10% or \$140,000,000 of
11 the state moneys shall be invested. The provisions of this subsection shall
12 not apply to the provisions of subsection (m).

13 (e) Interest on investment accounts in banks is to be paid at maturity,
14 but not less than annually.

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

21 (g) Investments under subsection (a) or (b) or under K.S.A. 75-4237,
22 and amendments thereto, shall be for a period not to exceed four years,
23 except that linked deposits authorized under the provisions of K.S.A. 2-
24 3703 through 2-3707, and amendments thereto, shall not exceed a period
25 of 10 years; agricultural production loan deposits authorized under the
26 provisions of K.S.A. 2018 Supp. 75-4268 through 75-4274, and
27 amendments thereto, shall not exceed a period of eight years and housing
28 loan deposits authorized under K.S.A. 2018 Supp. 75-4276 through 75-
29 4282, and amendments thereto, shall not exceed a period of five years or
30 20 years, as applicable pursuant to K.S.A. 2018 Supp. 75-4279, and
31 amendments thereto.

32 (h) Investments in securities under subsection (a)(1) shall be limited
33 to securities which do not have any more interest rate risk than do direct
34 United States government obligations of similar maturities. For purposes
35 of this subsection, "interest rate risk" means market value changes due to
36 changes in current interest rates.

37 (i) The director of investments shall not invest state moneys eligible
38 for investment under subsection (a), in the municipal investment pool
39 fund, created under K.S.A. 12-1677a, and amendments thereto.

40 (j) The director of investments shall not invest moneys in the pooled
41 money investment portfolio in derivatives. As used in this subsection,
42 "derivatives" means a financial contract whose value depends on the value
43 of an underlying asset or index of asset values.

1 (k) Moneys and investments in the pooled money investment
2 portfolio shall be invested and reinvested by the director of investments in
3 accordance with investment policies developed, approved, published and
4 updated on an annual basis by the board. Such investment policies shall
5 include at a minimum guidelines which identify credit standards, eligible
6 instruments, allowable maturity ranges, methods for valuing the portfolio,
7 calculating earnings and yields and limits on portfolio concentration for
8 each type of investment. Any changes in such investment policies shall be
9 approved by the pooled money investment board. Such investment policies
10 may specify the contents of reports, methods of crediting funds and
11 accounts and other operating procedures.

12 (l) The board shall adopt rules and regulations to establish an overall
13 percentage limitation on the investment of moneys in investments
14 authorized under subsection (a)(3), and within such authorized investment,
15 the board shall establish a percentage limitation on the investment in any
16 single business entity.

17 (m) (1) During the fiscal year ending June 30, 2017, the director of
18 the budget shall estimate on or before June 27, 2017, the amount of the
19 unencumbered ending balance in the state general fund for fiscal year
20 2017. If the amount of such unencumbered ending balance in the state
21 general fund is less than \$50,000,000, the director of the budget shall
22 certify the difference between \$50,000,000, and the amount of such
23 unencumbered ending balance to the pooled money investment board.
24 Upon the liquidation of all investments and reinvestments of state moneys
25 pursuant to K.S.A. 2018 Supp. 75-2263(j), and amendments thereto, and
26 upon receipt of such certification by the director of the budget, during the
27 fiscal year ending June 30, 2017, the pooled money investment board shall
28 authorize the director of accounts and reports to transfer an amount equal
29 to the amount certified by the director of the budget pursuant to this
30 subsection from the pooled money investment portfolio to the state general
31 fund. Upon receipt of such authorization, the director of accounts and
32 reports shall make such transfer. The chairperson of the pooled money
33 investment board shall transmit a copy of such authorization to the director
34 of legislative research and the director of the budget.

35 (2) On or before June 30, 2019, June 30, 2020, June 30, 2021, June
36 30, 2022, June 30, 2023, and June 30, 2024, the director of accounts and
37 reports shall transfer an amount equal to $\frac{1}{6}$ of the amount transferred
38 pursuant to subsection (m)(1) from the state general fund to the pooled
39 money investment portfolio. Any transfer made pursuant to this subsection
40 shall be reduced by the amount of moneys credited to any fiscal year
41 payment pursuant to K.S.A. 2018 Supp. 75-6707, and amendments thereto.

42 (3) During the fiscal year ending June 30, 2018, after any transfer
43 made pursuant to subsection (m)(1), the pooled money investment board

1 shall authorize the director of accounts and reports to transfer the
2 remaining amount of all investments and reinvestments of state moneys
3 liquidated pursuant to K.S.A. 2018 Supp. 75-2263(j), and amendments
4 thereto, from the pooled money investment portfolio to the state general
5 fund. Upon receipt of such authorization, the director of accounts and
6 reports shall make such transfer. The chairperson of the pooled money
7 investment board shall transmit a copy of such authorization to the director
8 of legislative research and the director of the budget.

9 (4) On or before June 30, 2019, June 30, 2020, June 30, 2021, June
10 30, 2022, June 30, 2023, and June 30, 2024, the director of accounts and
11 reports shall transfer an amount equal to $\frac{1}{6}$ of the amount transferred
12 pursuant to subsection (m)(3) from the state general fund to the pooled
13 money investment portfolio. Any transfer made pursuant to this subsection
14 shall be reduced by the amount of moneys credited to any fiscal year
15 payment pursuant to K.S.A. 2018 Supp. 75-6707, and amendments thereto.

16 Sec. 2. K.S.A. 2018 Supp. 75-4209 is hereby repealed.

17 Sec. 3. This act shall take effect and be in force from and after its
18 publication in the statute book.