



League of Kansas Municipalities

300 SW 8th Avenue- STE 100
Topeka, Kansas 66603-3951
Phone: (785) 354-9565
Fax: (785) 354-4186

Date: January 31, 2013

To: House Committee Financial Institutions

From: Larry R. Baer
Legal Counsel

Re: HB 2096
Written Testimony in Support

Thank you for allowing me submit written testimony on House Bill 2096 on behalf of the League of Kansas Municipalities and our member cities.

HB 2096 would amend current law to allow cities to participate in demand deposit accounts at multiple banks in amounts that are less than standard FDIC maximum coverage. Current law allows cities to participate in a similar plan, limited to investment in savings deposits and certificates of deposit. Permitting the use of "demand deposits" would make available a method of depositing daily operating funds into multiple fully FDIC insured accounts that allow for daily, unlimited withdrawals.

HB 2096 would provide one more option to a city for investment of its funds. Because a reciprocal deposit program does not require a bank to pledge its own assets as collateral for funds held in excess of the FDIC maximum, the bank is more inclined to pay interest at a higher than normal rate.

Participation in the program is a city by city option. Each governing body can examine investment options available to them and proceed with what they believe is in the best interest of their citizens and best serves the city's needs.

The League supports HB 2096 because it expands investment options available to cities and its usage is purely a local option.

Thank you for allowing us to submit this testimony in support of the proposed legislation.

www.lkm.org

*Attachment 4
F1 1-31-13*