



# 2023 ANNUAL REPORT



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# A MESSAGE FROM STEVEN



January 8, 2024

Dear Fellow Kansans:

It is my pleasure to present the 2023 Annual Report for the Kansas State Treasurer's Office.

Since being sworn in one year ago, my administration has worked to continue the long tradition of service to Kansans from the Office of the State Treasurer, while making improvements throughout the office to benefit the state and its citizens.

Among our accomplishments of the past year that are highlighted in this report:

- We helped the Legislature to write and pass House Bill 2100, which ensures taxpayer and pension funds are invested solely on criteria designed to produce the greatest return on investment while considering the appropriate level of risk. Through my positions on the Kansas Public Employees Retirement System Board of Trustees and the Pooled Money Investment Board, we have implemented this legislation to guide our investment decisions and our proxy votes.
- We implemented changes in our cash management procedures to earn a higher interest rate on the state's checking account. Based partially on these changes we have implemented, the state is projected to earn more than \$400 million in interest on our accounts this year – funds available to the State and local governments to meet priorities.
- We increased oversight of the Learning Quest 529 program to ensure Kansans saving for the education of a loved one have high-quality, low-cost investment options to reduce the need for student loans. Our improved oversight was recognized by the financial industry, and we received an improved rating based on these oversight changes.
- We implemented a completely new information technology system in the Unclaimed Property Division, which will not only help us to more efficiently process claims, but also comes with improved fraud detection to help ensure that unclaimed property is being returned to its rightful owners.
- We initiated partnerships with a range of groups to increase awareness of the programs of the office, including partnering with county treasurers to return unclaimed property, working with the Kansas Department for Aging and Disability Services and the Kansas Council on Developmental Disabilities to promote the ABLE savings program, and working with a range of groups on education savings and financial literacy. We're looking forward to building on these partnerships in 2024 and beyond.

I am proud of the work our team has produced in our first year in office, and look forward to the many opportunities to continue building on the foundation we have laid in the coming years. Thank you for the privilege of serving as your state treasurer.

Best wishes,

A handwritten signature in blue ink, appearing to read "Steven Johnson". The signature is stylized and fluid.

Steven Johnson  
Kansas State Treasurer

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# SAVINGS PROGRAMS

## Learning Quest® 529 Education Savings Program

The Kansas Learning Quest 529 Education Savings Program is administered by Kansas State Treasurer Steven Johnson, who is responsible for the regulations governing the program, selecting the financial organization that manages the accounts, ensuring the program complies with all relevant Internal Revenue Service guidelines and monitoring investment performance with the assistance of an outside consultant and an advisory committee.



The State of Kansas has selected American Century Investments, based in Kansas City, Missouri, as the program manager. This mutual fund, brokerage and investment services company is in charge of managing accounts, providing customer service, educating account owners and communicating the benefits of the program. This contract currently runs through June 30, 2025.

Kansas also offers the Learning Quest Advisor and the Schwab 529 Plan, which are managed by American Century Investments and distributed by Charles Schwab & Co., Inc.

For the first time since the Learning Quest program was established, total assets now exceed **\$10 billion**.

| All KS 529 Plans | 2023 (as of 11.30.2023) | 2022 (as of 11.30.2022) | YOY Change |
|------------------|-------------------------|-------------------------|------------|
| Total Assets     | \$10,101,668,850.08     | \$9,215,748,122.47      | +9.61%     |
| Purchases        | \$980,320,442.55        | \$887,914,369.22        | +10.41%    |
| Withdrawals      | (\$738,342,039.77)      | (\$645,048,474.04)      | +14.46%    |
| Net Investment   | \$241,978,402.78        | \$242,865,895.18        | -0.37%     |

|                 |                   |                   |         |
|-----------------|-------------------|-------------------|---------|
| Funded Accounts | 331,996           | 310,807           | +6.82%  |
| New Accounts    | 32,694            | 27,296            | +19.78% |
| Rollover In     | \$227,041,355.93  | \$ 175,533,958.14 | +29.34% |
| Rollover (Out)  | (\$67,128,730.63) | (\$50,075,089.34) | +34.06% |
| Net Rollover    | \$159,912,625.30  | \$125,458,868.80  | +27.46% |

The State Treasurer has established an advisory committee to advise him on the selection and management of funds in the 529 plan. Their collective industry expertise and historical perspective will also guide program enhancements and ensure decisions are made in the best interest of account owners and beneficiaries.

Learn more about the Learning Quest 529 Education Savings Program and meet the members of the Treasurer's Advisory Committee at [https://kansascash.ks.gov/learn\\_quest.html](https://kansascash.ks.gov/learn_quest.html)

The State Treasurer’s Office and American Century continually engage in efforts to increase awareness of the Learning Quest program, including the flexibility of 529 accounts to be used to pay for a variety of educational expenses, including traditional college tuition, fees, books, room and board, as well as non-traditional educational avenues like technical schools and apprenticeships. The Tax Cuts and Jobs Act of 2017 expanded eligible expenses for 529 accounts to include tuition for private K-12 education. Beginning in 2024, unused funds in 529 accounts can now be rolled over to Roth IRAs, subject to certain conditions.

Among the outreach efforts for 2023, the Learning Quest program partnered with popular children’s musician and author Jim Cosgrove, better known as “Mr. Stinky Feet.” Learning Quest was the presenting sponsor of his 25th anniversary tour and album. Jim performed multiple free concerts across the state, and the State Treasurer’s Office solicited nominations from local organizations to receive free concerts. Five locations were selected.

Jim also wrote a special song to commemorate the partnership and his 25th anniversary, titled “When I’m 25.” The song highlights many of the possible career aspirations children can imagine for themselves at age 25, which can be supported by saving through a Learning Quest 529 account. Scan the QR code on the right to listen to the song.



Learning Quest also sponsored several account giveaway events throughout the year. As a result of those contests, 18 individuals won a total of \$9,606 toward new or existing Learning Quest 529 accounts.



Above: Treasurer Johnson introduces Jim “Mr. Stinky Feet” Cosgrove at his performance in Leawood.

Below: Jim’s “Scoops of Love” 25th anniversary album cover featured the Learning Quest logo and a special song written to celebrate the partnership and learning; Jim performs a concert at the Wichita Public Library.



## KIDS Matching Grant Program

The Kansas Investments Developing Scholars (KIDS) Matching Grant Program was established in 2006, and allows investors with a household adjusted gross income below 200 percent of the federal poverty level to receive matching contributions of up to \$600 per beneficiary based on their contributions to their Learning Quest accounts. (Example: A family of four with an income less than \$60,000 was eligible to participate in 2023.) Account owners must reapply each year, and the program currently has up to 1,200 spaces (300 per congressional district). As of November 30, 2023, there were 545 beneficiaries approved with a total of \$213,153.00 in contributions made. This is a decrease from 2022 total contributions of \$375,966.00. More than \$5.4 million has been contributed to accounts for student participating in the KIDS Matching Grant Program since its inception.



A final report of calendar year 2023 will be released to the Legislature at the end of January. More information on the KIDS Matching Grant Program is available at <https://kansascash.ks.gov/kids.html>

## ABLE Savings Plan

The Kansas Achieving a Better Life Experience (ABLE) Savings Program was established in 2015. The purpose of the program is to authorize the establishment of savings accounts empowering individuals with a disability and their families to save private funds to support the individual with a disability, obtain federal and state income tax benefits of a qualified ABLE program as defined by federal law, and to provide guidelines for the maintenance of such accounts. State ABLE savings programs were authorized by federal tax legislation modeled after the 529 higher education savings program. Contributions into ABLE accounts are made on an after-tax basis. Funds within the account grow tax deferred, and interest is tax-free if used for qualified disability-related expenses.



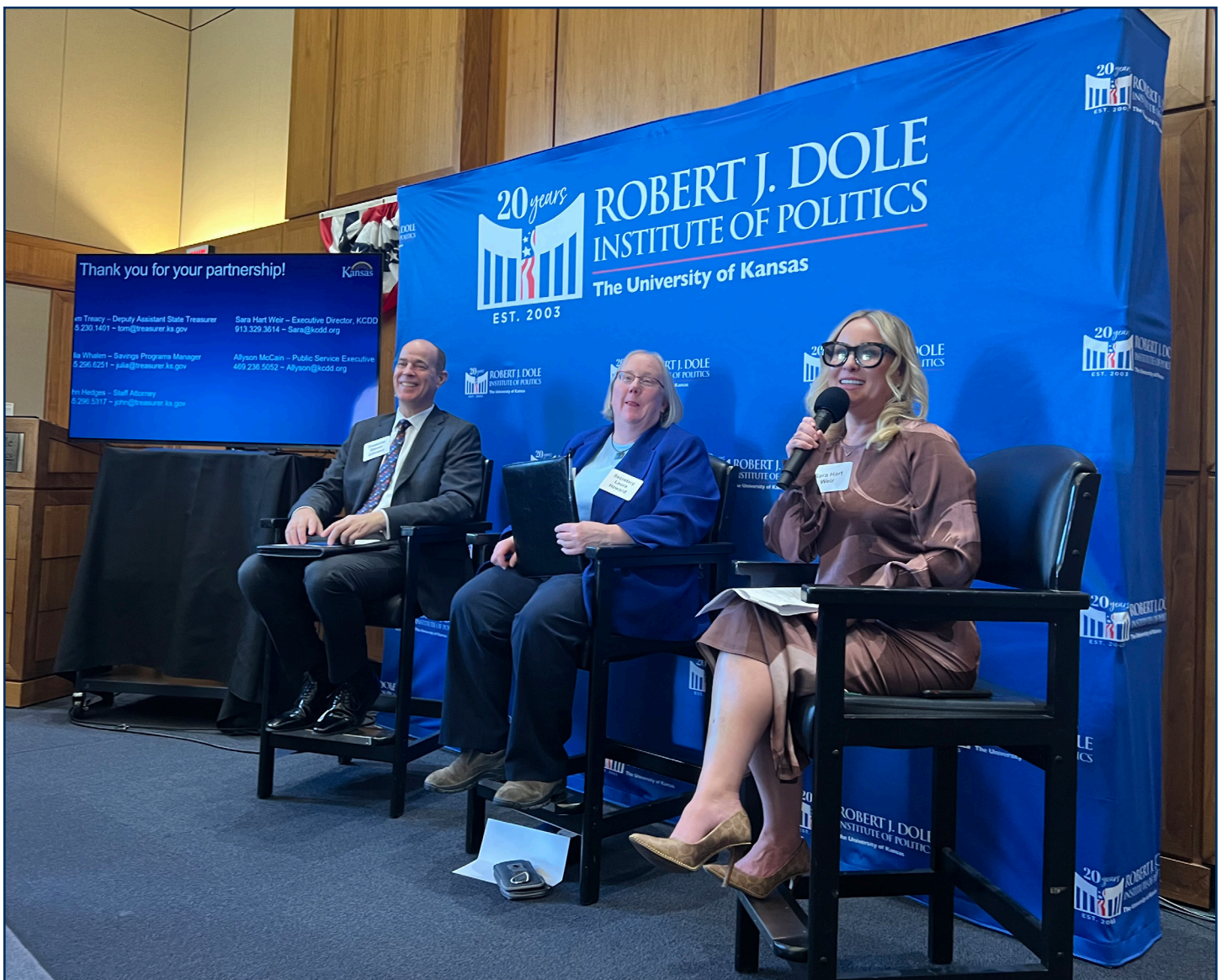
The Kansas ABLE Savings Program is administered through a contract with Ascensus College Savings, in cooperation with the National ABLE Alliance. The Alliance is the largest consortium of ABLE plans in the country. ABLE participants can choose among six investment tracks with varying expected risk/return profiles, and a checking account option. The checking account option is a unique feature of Alliance plans which provides FDIC insurance and increased liquidity through debit-card access to ABLE funds.

| All KS 529A Plans | 2023 (as of 11.30.2023) | 2022 (as of 11.30.2022) | YOY Change |
|-------------------|-------------------------|-------------------------|------------|
| Total Assets      | \$17,854,387.20         | \$12,634,830.23         | 41.31%     |
| Purchases         | \$5,917,537.85          | \$4,204,563.73          | 40.74%     |
| Withdrawals       | (\$1,821,163.75)        | (\$1,276,403.91)        | 42.68%     |
| Net Investment    | \$4,096,374.10          | \$2,928,159.82          | 39.90%     |

|                 |               |               |        |
|-----------------|---------------|---------------|--------|
| Funded Accounts | 1,752         | 1,340         | 30.75% |
| New Accounts    | 480           | 294           | 63.27% |
| Rollover In     | \$190,358.08  | \$126,418.77  | 50.58% |
| Rollover (Out)  | (\$65,199.97) | (\$36,727.82) | 77.52% |
| Net Rollover    | \$125,158.11  | \$89,690.95   | 39.54% |

In 2022, Congress passed the federal ABLÉ Age Adjustment Act, which will expand eligibility for the Kansas ABLÉ savings program to people whose qualifying disability first onset prior to the age of 46 (rather than the current age-of-onset maximum of 26), effective in 2026. This will make ABLÉ programs available to 6 million additional people nationwide – including 1 million veterans with disabilities.

In November 2023, our office announced a new partnership with the Kansas Department for Aging and Disability Services (KDADS) and the Kansas Council on Developmental Disabilities (KCDD) to promote the ABLÉ Savings Plan to individuals within the intellectual and developmental disability (IDD) community who are impacted by the IDD waitlist. Through the partnership, KDADS, the State Treasurer’s Office and KCDD will spearhead new educational resources for self-advocates, family members and caregivers; host a series of webinars for disability stakeholders, including Kansas providers, Community Developmental Disability Organizations, managed care organizations and disability organizations. The group will also conduct a Kansas ABLÉ Roadshow across the state in 2024. KCDD is supporting these outreach efforts with a grant to the State Treasurer’s Office. Since the announcement was made in November, additional funding has been pledged from Arcare, CareSource and Sunflower Health Plan to support opportunity grants, which will serve as “seed money” to fund individuals’ ABLÉ accounts.



Above: Treasurer Johnson joined KDADS Secretary Laura Howard and KCDD Executive Director Sara Hart Weir in November to announce a new partnership to promote the ABLÉ Savings Plan at a press conference and round table event at the Dole Institute of Politics at the University of Kansas in Lawrence.





Above Left: Treasurer Johnson joined Capper Foundation President & CEO Zach Ahrens on Fox 43 AM Live to discuss the benefits of the ABLÉ Savings Plan. Above Right: Treasurer Johnson visited Dialogue Coffee House in Topeka in October to mark Disability Employment Awareness Month.

Our office also partnered with the Capper Foundation this year to promote the use of ABLÉ accounts for their clients. Capper operates the Dialogue Coffee shops in the Topeka area, which employ individuals with disabilities. ABLÉ accounts offer a way for those employees to save additional funds from their paychecks without affecting their eligibility for means-tested benefits.

More information on the ABLÉ Savings Plan is available at [https://kansascash.ks.gov/able\\_savings.html](https://kansascash.ks.gov/able_savings.html).

## First-Time Home Buyers Savings Program

First-Time Home Buyer Savings Accounts were established by the Kansas Legislature in 2021. These tax-advantaged savings accounts allow Kansas residents to save money to purchase a first home for themselves or a designated beneficiary. Kansas taxpayers may take an annual deduction of up to \$3,000 for independent filers and \$6,000 for joint filers from their Kansas adjusted gross income for contributions into each beneficiary's account, and interest earned on the accounts is also exempt from state income tax, up to certain limits. The accounts may be opened at any qualified financial institution, which includes any state or federally chartered bank or credit union.



An amendment to the law in 2023 asked the State Treasurer's Office to assist in marketing the availability of these accounts and their associated tax deductions to prospective Kansas home buyers.

Our office worked with the Kansas Department of Revenue, Kansas Bankers Association, Kansas Credit Union Association and Kansas Association of Realtors to develop educational materials on these accounts. In September, we launched a web page containing information on how to open and register an account, eligibility requirements, links to required tax forms, and answers to frequently asked questions.

More information on the First-Time Home Buyer Savings Program is available at <https://kansascash.ks.gov/homebuyer.html>.

# UNCLAIMED PROPERTY

The Unclaimed Property Division's mission is to reunite Kansans or their heirs with unclaimed property, common examples of which include safe deposit box contents, bank accounts, shares of stock, dividends, mineral royalties, uncashed checks, drafts or money orders, insurance policy payouts, and utility deposits.

In 2023, the Unclaimed Property Division received 6,475 reports of unclaimed property, totaling more than \$50,437,797.04.

The Division processed 46,760 claims, returning \$17,344,938.86 to claimants – resulting in an average claim of \$370.94.



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As of December 31, 2023, the Unclaimed Property Division is holding \$579,102,976.70 in unclaimed property for Kansans.

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In April, the Division underwent a major upgrade to its information technology systems, which included a new public website with several useful new features to improve the claims process. Among the new features:

- Online searches for unclaimed property now display whether the amount available to claim is greater than or less than \$100.
- Claimants can check and track the status of claims by entering their claim number.
- If we request additional documentation to process a claim (such as identity verification), claimants can securely upload most documents through the website.



The updates also included many improvements to our back-end processes, which will allow us to more efficiently process claims and improve fraud detection. The new system also integrates with [MissingMoney.com](https://www.missingmoney.com), which will allow individuals to search for Kansas unclaimed property, along with 48 other states and Puerto Rico.

Early in the year, the office began working closely with the Kansas County Treasurers Association to assist in returning unclaimed funds to Kansans in their counties. Our office provided each county treasurer in the state a poster that can be displayed in their offices, which receive high foot-traffic from Kansans renewing vehicle tags, paying property taxes, etc. The poster displays the amount of unclaimed property

available for that individual county, and a QR code that directs to the search page on our website. Some county treasurers have also set up kiosks in their offices for individuals to conduct searches, while others have requested lists of unclaimed property in their counties and have reached out directly to people on those lists and encouraged them to claim the funds.

The office also continued in its annual tradition of hosting a booth at the Kansas State Fair to allow fairgoers to search for unclaimed property.



Above: Treasurer Johnson assists Kansans in searching for unclaimed property at the Kansas State Fair. Below left: Treasurer Johnson and Sedgwick County Treasurer Brandi Baily (white shirt), and staff assist Kansans searching for unclaimed property at the Sedgwick County Tag Office. Below right: Treasurer Johnson and Kansas State Senator J.R. Clays (blue shirt) assist Kansans searching for unclaimed property at the Saline County Courthouse.



# FINANCIAL LITERACY & OUTREACH

Financial literacy and outreach are central to the mission of the State Treasurer’s Office. Establishing healthy financial habits helps Kansans set the baseline to be able to take advantage of the savings programs offered by our office.

In past years, the State Treasurer’s Office had established an affiliated non-profit organization for the purpose of supporting financial education. However, in recent years, the organization’s non-profit status had been allowed to lapse. Treasurer Johnson’s administration made it a priority to re-establish the organization, and the Kansas Financial Empowerment Foundation (KFEF) was formally established with the Kansas Secretary of State on May 4, 2023.

One program that was supported by KFEF in 2023 was the Kansas High School Finance Challenge, hosted by the Kansas Council on Economic Education (KCEE) in Wichita. Five teams from across the state competed by being presented a scenario of a fictional family and being tasked with making recommendations as if they were the family’s financial advisor. The team from Andover High School placed first and represented Kansas in the national competition in June at the Federal Reserve Bank of Cleveland, where they placed fourth nationally. In addition, Maddie McCarty, a student at Colby Middle School was the national winner of the InvestWrite essay contest. Treasurer Johnson serves as a member of the Board of Directors for KCEE.

Treasurer Johnson also enjoyed learning more about financial education initiatives that are already producing results, including the FutureNow: Finance event put on by SparkWheel at Topeka High School. This program provides students with a simulation of life as a young adult, learning how to manage finances and budget. Earlier in the year, he also visited Washburn Rural High School in Topeka to learn about their student-run bank. The partnership between the school and Silver Lake Bank has had a tremendous impact on students and faculty. From snack shops to school spirit shops, Washburn Rural is bustling with student-run business built around the banking partnership.



Above Left: Treasurer Johnson served as a judge for the Kansas Council on Economic Education’s Kansas High School Finance Challenge. Above Right: Treasurer Johnson observes a student participating in the FutureNow: Finance event at Topeka High School.

In late February and early March, Treasurer Johnson joined with officials from across the country in marking “America Saves Week.” Our office released a series of videos on financial topics tied to the themes of each day, including making savings automatic, saving for the unexpected and paying down debt. View these videos by scanning the QR code on the right.



Our office also increased our presence at the Kansas State Fair, doubling our booth space to include room for materials to educate Kansans on financial topics, including the savings programs offered by our office, alongside our traditional unclaimed property booth.

In the coming year, we look to increase our financial literacy and outreach efforts. Plans are underway to host a Women and Money Conference in Kansas City in fall 2024. This single-day conference will be made up of a panel of experts, keynote speaker, emcee and sponsors of women’s financial success.

# FIDUCIARY DUTY

By statute, Treasurer Johnson serves as a member of both the Kansas Public Employees Retirement System (KPERS) Board of Trustees and the Pooled Money Investment Board (PMIB). He is the only member of each of these boards who is directly elected by the people of Kansas.

In these roles, Treasurer Johnson operates as a fiduciary of State funds on behalf of taxpayers and the employees and retirees who are KPERS members. A faithful fiduciary prioritizes the interests of those they represent before their own self-interests. In the investment sector, a fiduciary acts solely in their client’s best interest when they give advice and make investment decisions intended to maximize the return on their client’s investment funds.

With this fiduciary duty in mind, Treasurer Johnson advocated for the passage of House Bill 2100 during the 2023 Legislative Session, which codifies these fiduciary obligations, requiring that State investments be made based on free-market principals and not to advance social or political agendas. Under Treasurer Johnson’s leadership, the foremost goal of the investment of public funds will remain to produce the greatest return while considering the appropriate level of risk.

The bill also included a provision to ensure that proxy votes cast for shares held by KPERS are in line with these fiduciary principals. The KPERS Board selected Egan-Jones as the proxy voting advisory in June, adopting the firm’s Wealth Focused Principles and Guidelines as the System’s proxy voting policy. Egan-Jones was operational and voting ballots on July 1, 2023.



Treasurer Johnson was sworn in as a member of the KPERS Board of Trustees in January 2023.

# FISCAL SERVICES

## Municipal Bond Services Program

The Municipal Bond Services Program is responsible for the registration of all municipal bonds and temporary notes issued in Kansas. This program also provides registrar and transfer agent services for the majority of all local and state municipal bond issues including bonds authorized by the Kansas Department of Transportation and by the Kansas Development Finance Authority.

As registrar and transfer agent for outstanding municipal bond issues in Kansas, the State Treasurer maintains and services 2,163 registered bonds and temporary notes. The final outstanding bearer bonds paid out in March 2021 leaving only registered bond issues and temporary notes outstanding. The State Treasurer was named paying agent on 92 percent of the 100 new issues that were recorded during the fiscal year. In addition, the State Treasurer was named paying agent on 84 percent of the 43 temporary note issues that were recorded. The total principal amount outstanding on bonds and temporary notes as of June 30, 2023, was in excess of \$19.5 billion.

When the State Treasurer is named as paying agent, principal and interest amounts are collected from the respective municipalities in advance of payment dates to ensure timely payments on the bond issue. For providing the paying agent service, a fee is charged to the issuing municipality for the services provided. Under current law, K.S.A. 10-506, K.S.A. 10-603 and K.S.A. 10-627, as amended July 1, 2000, amounts are received and deposited in the state treasury and credited to the Bond Services Fee Fund.

The State Treasurer is also authorized to charge and collect fees for the registration of bonds for which the State Treasurer is not the paying agent. These fees are credited to the Bond Services Fee Fund and, combined with the paying agent fees, are used to support the program. The Bond Services program is completely funded by these fees. Total fees collected and credited to the Bond Services Fee Fund in FY 2023 were \$442,028. The payments collected for all bond issues serviced were \$3.3 billion in FY 2023.

## Cash Management

The Cash Management Program serves as the State's bank - recording and depositing all state receipts and accurately accounting for all disbursements made through the payment process. This program serves as 'collateral custodian' for the Pooled Money Investment Board (PMIB), administers four linked deposit programs, distributes designated taxes to local units of government, disburses license plate royalty fees, distributes through the Aid-to-Local Units of Government programs, receives County taxes, and receives the district and municipal court fees.

In an effort to ensure all processes are as efficient as possible, we use electronic fund transfers when possible. In FY 2023, 89.77 percent of the State's receipt dollars were received electronically and 95.62 percent of the State's disbursement dollars were processed electronically. All checks received by state agencies are scanned, balanced, and then electronically deposited with our contract bank. The number of checks paid by the State increased in FY 2023 to 505,805 from 490,161 in the previous fiscal year.

To assist district and municipal courts and county treasurers in reporting and remitting specific fees and taxes to the State, the Treasurer's Office continues to enhance the on-line reporting tool. The option to securely submit ACH payments provides entities an efficient electronic payment method. This system has reduced the amount of paper and postage costs incurred by the Judiciary and County Treasurers. We continue to work to make this system as efficient as possible for our partners.

The Cash Management Program must ensure that the money deposited in any Kansas bank is secured either by FDIC insurance or by an approved collateral type. Weekly, the PMIB places available cash with Kansas banks in the form of Certificates of Deposit. The value of the CD and the value of the pledged collateral is tracked on a special software application called “The VAULT”. The collateral is priced weekly by the State’s contract bank and all changes in pledged collateral are monitored to make sure the State’s funds are fully protected in accordance with statute.

The Fiscal Services Division is also charged with monitoring and improving the State’s cash management practices. Each day the State’s pooled-cash position is calculated and reported to the PMIB. The available monies are then invested by PMIB according to statute.

Furthering Treasurer Johnson’s focus on fiduciary duty, with an increase in interest rates, it became crucial to ensure that the State’s idle cash was put to work down to the last penny. We established a sweep account with our bank to make sure this would happen every day. When reviewing the idle cash in the checking account, the treasurer contacted our bank letting them know we would be seeking to invest the majority of those funds overnight and that we would welcome a win-win suggestion on managing our cash. The bank offered to pay us a premium above our overnight rates if we would target a modestly higher balance.

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**In calendar year 2023, the State earned \$7,545,121.10 as a result of the commercial paper sweep account.**

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In addition to earning interest on the idle cash balance, we gained other benefits for the State:

- Most days we get late wires we don’t know we can invest and those are swept by the bank into the overnight investment account.
- There are times when transactions do not occur, leaving the funds in the checking account. These have been as much as \$100,000,000 and those funds are swept into the account.
- The bank can pinpoint our ending balance allowing us to operate on a much tighter cash balance. Ultimately, the overnight sweep account ensures that every dollar is earning a return.

We provide cash concentration services to several agencies; the Department for Children and Families, the Department of Corrections, and the Department of Wildlife and Parks. At the direction of their fiscal staff, we bring excess dollars from their fee accounts into the State’s investment pool, maximizing the cash availability and investment earnings.

Working with the Department of Revenue, the Treasurer’s Office facilitates the return of taxes and fees to local entities. This includes: Sales Tax, Compensating Use Tax, Transient Guest Tax, Liquor Tax, Vehicle Excise Taxes, Distinctive License Plate Royalty Fees, Community Development District Tax, etc. Fiscal Services serves as escrow agent for most state money designated for STAR Bonds and Economic Revitalization. At the end of FY 2023, there were eighteen active STAR Bond projects and one Special Economic Revitalization program with a combined fund balance in excess of \$46.5 million. The program balances are monitored and the money distributed to the designated bond paying agent as required by the issuance documents.

In an effort to hold harmless existing STAR bond project districts, there was created in the state treasury the STAR Bonds Food Sales Tax Revenue Replacement Fund. On July 1, 2023, and every six months thereafter, the amount of the reduction of sales tax in the districts due to the reduction of sales tax on food will be certified to the Office of Accounts and Reports. This amount was transferred from the State General Fund to the STAR Bonds Food Sales Tax Revenue Replacement Fund for further credit to the City Bond Finance Fund. The first transfer of its kind was done on November 2, 2023, and a total of \$914,269.78 was transferred in calendar year 2023.

## Alternatives to Abortion

In 2023, the Legislature appropriated \$2 million to the Alternatives to Abortion program, and directed the State Treasurer to conduct a request for proposals process to select a qualified non-profit organization to administer the program. In September, the Kansas Pregnancy Care Network (KPCN) was selected from the three eligible bids that were submitted to the Department of Administration. The group was the only Kansas-based entity that submitted a qualified bid. The organization was modeled after, and is working closely with, the Texas Pregnancy Care Network, which administers a similar program in that state.

As of December 31, 2023, \$500,000 has been disbursed to the organization. The organization is required to produce a report to the Legislature and Treasurer on its progress by June 30, 2024.

## Water Bond Arbitrage

One area the Legislature identified for us to earn interest was on funds they set aside to pay two notes we have on our water reservoirs. Our interest rates on these notes are low and we can currently lock in higher returns with Treasury Bills. As long as this “arbitrage” opportunity exists, 2023 House Bill 2302 directed the treasurer to continue to invest the funds at higher rates. We have consistently been able to lock in returns more than 2 percent above the rates we are paying on these notes. This difference will accrue as an additional revenue stream to the State. We anticipate rates will continue to support this strategy for the next year.

So far, we have earned \$980,136.22 on T-Bills that have matured and will earn \$1,443,403.32 on those currently outstanding. More than 45 percent of this interest will be revenue to the State above the interest that is accruing on the water reservoir notes. As of January 1, we have just over \$30 million invested to pay the Milford note. The rate is 5.515 percent and its next maturity is February 15. We have about \$24.4 million invested to pay the Perry note. That rate is 5.435 percent and its maturity is May 16. The average rate we are currently earning on both notes is 5.479 percent. We will continue to maximize the State’s return on these assets.

## Agricultural Production Loan Deposit Program

The Agricultural Production Loan Deposit Program, has been administered by the Treasurer’s Office since it was created by the 2000 Legislature and is a cooperative program with Kansas banks. The program is a method to assist agricultural borrowers with high debit-to-asset ratios and/or whose lenders might not have sufficient cash to fund additional loans. As the financial environment fluctuates, so does the demand for these loans. Each borrower is limited to one loan at a time, but can move in and out of the program as needed— paying off one loan as farm products are sold, then requesting another loan when purchasing product or inventory for the next season. Lenders who want to participate in the program are required to sign a Participation Agreement with the State Treasurer’s Office. Each borrower must certify that they meet the legal criteria and will use the proceeds of the loan as intended by the program. The lender must certify as to the borrower’s eligibility. Most lenders and borrowers find this to be a very simple process.

The Legislature limited the funds available for these loans to \$55 million. As loans are paid off or as principal payments are received, the Treasurer’s Office makes the dollars available to fund new loans. Since its inception in July 2000, this program has issued 1,839 loans in the amount of \$266.2 million. 27 loans were funded in FY 2023. At the end of FY 2023, there were 81 outstanding loans with a balance of \$12.34 million, representing 29 Kansas counties.

The lower than market rate authorized by the statute is calculated by the PMIB staff each day and is published on their web page. Banks are allowed a four percent spread between the rate they pay on the certificates of deposit with the State and the maximum rate they are allowed to charge the borrower as a means to offset risk.

The State does not risk losing principal or interest on these loans, and the interest rates change on existing loans



every six months on the first business day in July and January.

All interest payments are collected June 30 and December 31 and are credited to the State General Fund. Since July 2000, the program has earned \$9.78 million in interest income for the State General Fund. \$71,599.59 was deposited during FY 2023. The 2009 Legislature passed HB 2331, placing a minimum of 0.5 percent on Certificates of Deposits. The CD interest rate as of July 1, 2023, was 3.41 percent.

## Housing Loan Linked Deposit Program

The Kansas Housing Loan Linked Deposit Program was created by the 2008 Legislature with SB 387, and it has also been administered by the Treasurer's Office Cash Management Program. The program was modeled after the Agricultural Production Loan Deposit Program and was implemented July 1, 2008. The money is to be used for building or rehabilitating a home or adult care facility. The interest rate is calculated by the PMIB staff each day and published on their website. A minimum CD interest rate of 0.5 percent was established by the 2009 Legislature with the passage of HB 2331.

The original regulations required that the home value not exceed 350 percent of the median family income as reported by the most recent census and be reported on the Treasurer's website. The 2010 Legislature made additional changes to the program, in hopes it would be able to assist more constituents:

- Maximum qualifying home value is now linked to federal average area purchase price safe harbors for mortgage revenue bonds (currently set at varying limits for single- and multi-family homes)
- Developers are able to borrow up to \$2 million in multiple loans
- Loans for rehabilitation are now permitted

Further modifications to the program took place with the 2012 Legislature, which expanded availability for linked deposit loans to developers of not-for-profit adult care facilities, with a \$2 million borrowing maximum.

At the end of CY 2023, there were no outstanding loans.

This is the ninth consecutive year this program has not been utilized. We continue provide information to community leaders, lenders, developers, and others related to this specific Linked Deposit Loan Program.

## Aid to Local Units of Government

Through the Aid to Local Units of Government subprogram, the State Treasurer distributes monies to city and county governments according to statutory provisions. In FY 2022, the City and County Highway Distribution subprogram, the Highway Equalization subprogram, and the Tax Increment Revenue Replacement were the only programs disbursing money.

## Economic Recovery Linked Deposit Program

The Kansas Economic Recovery Linked Deposit Program became law in April 2021 and is administered by the Treasurer's Office. Also modeled after the Agricultural Production Loan Deposit Program, this program is offered to small commercial or agricultural businesses in Kansas to use for operating expenses. The interest rate is calculated by the PMIB staff each day and published online. A minimum CD interest rate of 0.25 percent was established by the Legislature.

The legislature limited the funds for this program at \$60 million. Sixteen loans were issued in FY 2023 in the total amount of \$2,384,528 earning \$5,756.93 in interest credited to the SGF. The office continues to market this program and to raise awareness of its availability as market conditions change. At the end of FY 2023, there were 21 outstanding loans with a balance of \$3.058 million, representing 10 Kansas counties.

## Kansas Extraordinary Utility Costs Loan Deposit Program

The Kansas Extraordinary Utility Costs Loan Deposit program also became law in April 2021 and is administered by the Treasurer’s Office. This program provides that idle funds not utilized for the City Utility Low-Cost Loan Program were made available to wholesale natural gas customers located in the State of Kansas that incurred extraordinary natural gas costs due to the extreme winter weather event of February 2021.

At the end of CY 2022, there are no outstanding loans. Furthermore, there have never been any loans issued under this program and no future loans are expected given the purpose and the time lapse between the winter weather event and current day.

## City Utility Low-Interest Loan Program

The City Utility Low-Interest Loan Program was enacted in March 2021. This program granted the State Treasurer’s Office the ability to issue loans to the cities in Kansas who have incurred extraordinary electric and/or natural gas costs during the extreme weather event of February 2021.

A total of 54 cities and 1 municipal energy agency submitted applications and \$78,409,646.79 in loans were approved and funded. As of December 31, 2023, 13 cities and 1 municipal energy agency have repaid their loans in full leaving 40 cities with a remaining total loan balance of \$37,117,896.58.

## Build Kansas Matching Grant Fund

The Build Kansas Matching Grant Fund was created within the State Treasurer’s Office by the Legislature in 2023, and \$50 million was appropriated for FY 2024. The purpose of this fund is to provide matching funds to local units of government required to secure federal funding for projects under the federal Infrastructure Investment and Jobs Act. A committee of nine members appointed by the governor and legislative leadership was also created to review applications for these funds. As of December 31, 2023, the committee had approved \$11,648,145 in Build Kansas funds toward six different projects for five different local units of government, as listed in the table below. These projects are now pending approval by the federal government. The balance of the fund remains at \$50 million, with these projects still pending federal approval.

| Local Government Unit  | Build Kansas Funds Approved | Local Match Amount  | Other Amount        | Federal Amount Requested | Total Project Cost   |
|--|-----------------------------|---------------------|---------------------|--------------------------|----------------------|
| City of Russell  | \$339,942                   | \$339,942           | -                   | \$2,039,649              | \$2,719,532          |
| City of Ogden  | \$399,000                   | -                   | -                   | \$1,596,000              | \$1,995,000          |
| Unified Government of Wyandotte County and Kansas City, Kansas | \$10,000,000                | \$15,440,000        | \$21,200,000        | \$69,960,000             | \$116,600,000        |
| Salina Airport Authority                                       | \$745,566                   | \$1,153,680         | -                   | \$14,165,754             | \$16,065,000         |
| City of Ozawkie  | \$41,775                    | -                   | -                   | \$133,680                | \$175,455            |
| City of Ozawkie  | \$121,862                   | -                   | -                   | \$389,958                | \$511,820            |
| <b>Totals</b>  | <b>\$11,648,145</b>         | <b>\$16,933,622</b> | <b>\$21,200,000</b> | <b>\$88,285,041</b>      | <b>\$138,066,807</b> |

*Amounts rounded to whole dollars.*

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**Kansas**  
Steven Johnson  
State Treasurer