



2020

ANNUAL REPORT

to the

KANSAS LEGISLATURE

Submitted by the Honorable Kansas State Treasurer Jake LaTurner
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Dear Governor Kelly, members of the Kansas Legislature, and fellow Kansans,

I'm honored to present you with the 2020 Annual Report for the Kansas State Treasurer's Office. This has been a challenging year for us all due to the many limitations brought upon us by the COVID-19 pandemic. Our team has been exceptional at innovating ideas for continuing to educate Kansans regarding the state's education saving plan offerings as well as the launch of a new scholarship search engine for helping our high school seniors access potential funds for their higher education goals.

We have made many modifications to the way we perform the duties of the office in order to keep staff and the public safe and healthy, while continuing to be available to the people of Kansas with the same level of excellent customer service we are pleased to provide. In this report you will find summaries of the functions of our office and a brief review of each department's activities during the 2020 fiscal year.

We have used several innovative methods for continuing public outreach thanks to the help of technology and our in-house developed website and social media pages.

As we start the New Year, we are excited to continue educating Kansans about ways they can be better prepared financially as well as helping their children achieve their future financial goals. We will also be focused on continuing to find more ways to let Kansans know about our free search option for their unclaimed property and the ease of claiming their money.

The information in this report highlights the important services the State Treasurer's Office is providing to the people of Kansas. I am very pleased with the obstacles we have overcome together in 2020 as we continue to serve the people of Kansas dutifully each day and look forward to sharing with you our 2020 Annual Report for the Kansas State Treasurer's Office.

Respectfully submitted,
Jake LaTurner

TABLE OF CONTENTS

Message from the Treasurer	2
Table of Contents	3
Learning Quest.....	4
KIDS Program	4
ABLE Savings Program.....	5
Bond Services.....	6
Unclaimed Property	7
Outreach Initiatives	8
Cash Management.....	9
Kansas Agricultural Loan Program	10
Kansas Housing Loan Development Program	10
Aid to Local Units of Government	11
Financial Literacy.....	12



Learning Quest 529 Savings Plan

This savings program includes three plans under section 529 of the I.R.S. Code: Learning Quest, Learning Quest Advisor, and the Schwab 529. Our contract for the program with American Century Investments, Inc. currently runs through June 30, 2025.

Total Statistics

Assets under management in the program as of November 30, 2019, rose to \$8.32 billion. The total number of active accounts for FY 2020 increased by 6.66 percent to a total of 258,540 accounts. Dollars contributed to the program increased by \$845 million, a 15.75 percent increase over FY2019, continuing a strong trend of growth in contributions after seeing a decrease in contributions in FY2016.

Kansas Specific Statistics

The total assets in Kansas accounts as of November 30, 2020, rose to \$1.37 billion. The number of accounts owned by Kansans increased in FY 2020 by 2.66 percent to a total of 71,169 accounts. Kansans contributed just over \$121.5 million to these accounts in FY2020, an increase of 5 percent over FY2019.

Kansas Investments Developing Scholars (K.I.D.S.) Matching Grant Program

This was the 14th year for the K.I.D.S. Matching Grant Program in which investors with a household adjusted gross income below 200 percent of the federal poverty level may receive a matching contribution 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 \$52,400 was eligible to participate in 2020). Account owners must reapply each year, and the program

currently has up to 1,200 spaces (300 per congressional district). In FY 2020, there were 749 K.I.D.S. matching grant participants. This was a slight decrease from FY 2019's total participants of 774. FY 2020 had \$405,965 in total contributions into the program. This was an increase from FY 2019 total

contributions of \$393,166. Just shy of \$5 million has been contributed to accounts for students participating in the K.I.D.S. Matching Grant Program since its inception.



Treasurer LaTurner speaking at the Board of Superintendents meeting in Topeka about LearningQuest and the K.I.D.S. Matching Grant Program.

ABLE SAVINGS PROGRAM

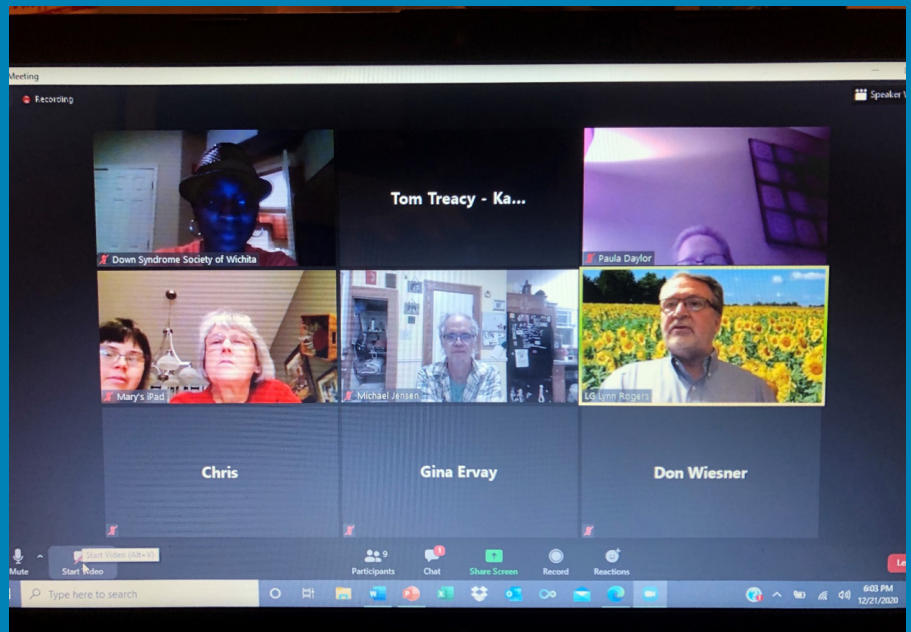
In 2015 the ABLE Act (Achieving a Better Life Experience) became law in Kansas. As stated in K.S.A. 75-651 “The purpose of the Kansas ABLE savings program is to authorize the establishment of savings accounts empowering individuals with a disability and their families to save private funds to support the individual with a disability and to provide guidelines for the maintenance of such accounts.” ABLE Savings Accounts were created by Federal legislation that modeled the accounts after 529 Higher Education Savings Accounts. Contributions into ABLE accounts are made on an after-tax basis and funds within the account grow tax-deferred and are tax-free if used for qualified disability related expenses.

The State Treasurer administers the Kansas ABLE Savings Program. In 2015 Kansas began working with a consortium of nine other states to build a multi-state ABLE savings program. As of December 2020, the National ABLE alliance has expanded to 18 states. The consortium, which is known as the “National ABLE Alliance,” helps connect the program with vendors who provide ABLE account maintenance, investment options, marketing tools and a customer service center. Through the National ABLE Alliance, Kansas currently contracts with Ascensus, LLC for these services, with a five-year contract ending in 2021 with the option to extend up to an additional five years. The Kansas ABLE Savings Program began enrollment on January 26, 2017. Enrollees can choose between six different investments options and/or an FDIC insured checking account which is accompanied with an ABLE debit card.

The marketing efforts for ABLE remain very targeted. Social media has been one of the most effective ways to promote the Kansas ABLE Savings Program over the past year. Along with social media, community involvement and coordinated awareness efforts with various advocacy groups within the disability community continue to play an important role in increasing awareness of the program.

As of December 2020:

- There are 797 “active” Kansas ABLE accounts. An increase of 50.4% from 530 “active” ABLE accounts in December of 2019
- 6,024,614.09 assets under management (AUM). An increase of 99.7% from \$3,016,741.79 AUM in December of 2019
- The average Kansas ABLE account balance is \$5,691.97



The Wichita Down Syndrome Guild, the STO, and Lt. Gov. Lynn Rogers met via zoom with parents interested in learning more about opening an ABLE account.

Continued marketing efforts are planned for 2021 to bring awareness to this valuable savings program with the hope of increasing the number of accounts opened over the next calendar year.

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 2,287 registered bonds and temporary notes, and 2 bearer bond issues. The State Treasurer was named paying agent on 91 percent of the 242 new issues that were recorded during the fiscal year. In addition, the State Treasurer was named paying agent on 78 percent of the 63 temporary note issues that were recorded. The total principal amount outstanding on bonds and temporary notes as of June 30, 2020 was in excess of \$18.9 billion.

When the State Treasurer is named as paying agent, the Bond Services Department collects principal and interest amounts from the respective municipalities in advance of maturities 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 both are used to support the program. The Bond Services Department is completely funded by these fees. Total fees collected and credited to the Bond Services Fee Fund in FY2020 were \$730,561. The payments collected for all bond issues serviced were \$3.6 billion in FY2020. The Bond Services Department has established a level of performance that compares favorably with that of other transfer and paying agents. The Bond Department also boasts prompt and accurate processing that leads to timely payments.



UNCLAIMED PROPERTY

The Unclaimed Property Division has one of the most rewarding missions in the state: returning unclaimed property to its rightful owners or heirs, the people of Kansas. After a period of dormancy, a reporting business (also known as a holder) must remit specified types of abandoned personal property to the State Treasurer, who then becomes custodian in perpetuity. This upholds the right of the original owner or heirs to claim the property. The State Treasurer maintains a balance in the Unclaimed Property Claims Fund to pay approved claims. A balance is also maintained in the Unclaimed Property Expense Fund to operate the program.

Some common forms of abandoned property include: safe deposit box contents, bank accounts, shares of stock, dividends, mineral royalties, certified checks, drafts or money orders, insurance policy payouts, utility deposits, property distributable during the voluntary closure of business associations, court deposits, funds from public agencies, and miscellaneous intangible property held by one party for another.

PROPERTY RECEIVED FROM HOLDERS

All property that meets statutory requirements for presumption of abandonment must be reported and remitted to the State Treasurer along with the last known contact information for the owner. Any properties valued below \$100 may be combined into one lump sum and turned in to the State Treasurer as aggregate. Holders have 4 efficient, business-friendly options to file reports;

uploading file to our secure server, electronically on diskettes or CD/DVD, or through written reports that are hand-entered into the system by unclaimed property staff. Holders also have the option to use private vendor software to prepare and file reports. This unclaimed property data is stored and processed on a secure web-based system. All properties valued \$5.00 and up are listed on the treasurer's website, where owners and heirs claiming an interest in a property may then file a claim with the State Treasurer. The Unclaimed Property Division reviews the claims for appropriateness, ensuring each claim is paid

out only to verified owners or heirs of the property.

In FY2020, the Unclaimed Property Program had another exceptional year returning property to the people of Kansas. The Unclaimed Property Division received over \$41.5 million in unclaimed



property funds from holders. A portion of this amount resulted from the sale of stock received in an earlier year, as required by law. The amount of unclaimed property returned to its rightful owners exceeded \$20.6 million in money and stock. That means more than 48 percent of the value of reported property received during FY2019 was paid out to rightful owners, a percentage far exceeding most states. Claims Services processed 114,510 claims in FY2020.

UNCLAIMED PROPERTY (Continued)

OUTREACH INITIATIVES

The principal mission for the Unclaimed Property Division is to return property to its rightful owners. The newly updated website continues to be the most widely used outreach tool for the department. The public may go online and use a simple search function to find out if their name is on the unclaimed property list. Approved online claims allow the claimant to receive their payment much faster, usually less than one week from the date the claim was approved. In 2018, the option to request payment by way of Direct Deposit was added to the claims process, increasing internal efficiencies and decreasing payment wait time for owners. Increased social media presence is also an effective outreach method.

Unclaimed Property staff members proactively search for property owners. As new property is reported, staff members begin searching for owners, as time allows, using a variety of methods, mainly address verification software or websites that provide current contact information for individuals. They attempt to contact the owner or the heirs and deliver a claim packet to them. While this may seem like a tedious process, it actually produces a higher percentage of valid claims than some of the more visible outreach efforts.

Thanks to law passed in 2013, the State Treasurer's Office continues to use Kansas claimant's state-issued driver's license or identification card to validate the person's identity.

In September 2019, the State Treasurer's Office maintained a booth at the Kansas State Fair. 56,206 searches were generated from this event alone for a total amount of over \$1,150,557 in potential claims. We look forward to the return of Kansas State Fair 2021.

One of the most effective forms of outreach is the Treasurer himself. Treasurer LaTurner routinely makes unclaimed property a focus as he travels throughout the state. Treasurer LaTurner regularly visits county treasurers and provides them with the most up to date unclaimed property list for their counties to help with this outreach. In addition, he speaks with a wide variety of groups around the state, always promoting the Unclaimed Property Program.

The Kansas State Treasurer's Office continues to operate one of the most innovative Unclaimed Property Divisions in the nation. It remains our goal to find new ways to quickly and efficiently return unclaimed property to its rightful place with the people of Kansas.

CASH MANAGEMENT PROGRAM

The Cash Management Program serves as the state's bank - recording and depositing all state receipts and accurately accounting all disbursements made through the payment process. This program serves as 'collateral custodian' for the Pooled Money Investment Board (PMIB), administers two 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 strongly encourage the use of electronic technologies whenever possible. In FY 2020, 94% of the state's receipt dollars were received electronically and 97% 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 continued to decrease – from 621,181 in FY 2020 to 533,866 in fiscal year 2020. Much progress has been made in moving to electronic processing of receipts and disbursements, and we continue to work with all suppliers and state agencies to encourage the use of electronic methods.

To assist district and municipal courts and county treasurers in reporting and remitting specific fees and taxes to the state, the Treasurer's Office developed and has enhanced an on-line reporting tool. The ACH payment option 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 according to statute.

The Cash Management Program 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.

We provide cash concentration service to several agencies; Department of Children and Families, Department of Corrections, and Department of Wildlife, Parks and Tourism. 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: Sales Tax, Compensating Use Tax, Transient Guest Tax, Liquor Tax, Vehicle Excise Taxes, Distinctive License Plate Royalty Fees, Community Development District Tax, etc.

Cash Management serves as escrow agent for state money designated for STAR Bonds and Economic Revitalization. At the end of 2020, there were fifteen active STAR Bond projects and one Special Economic Revitalization program with a combined fund balance in excess of \$45.8 million. The program balances are monitored and the money distributed to the designated bond paying agent as required by the

CASH MANAGEMENT PROGRAM (Continued)

bond documents.

As the State's bank, we continue to work with agencies to make sure the state's resources are used in the most efficient manner and to the greatest benefit of the State.

KANSAS AGRICULTURAL PRODUCTION PROGRAM

The Agricultural Production Loan Deposit Program, has been administered by the Treasurer's Office since it was created by the 2000 Legislature. This 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 1,796 loans in the amount of \$258.6 million. 8 loans were funded in 2020. At the end of 2020, there were 113 outstanding loans with a balance of \$19.56 million, representing 36 Kansas counties.

The lower than market rate authorized by the statute

is calculated by the PMIB staff each day and is published on their webpage. Banks are allowed a four percent spread between the rate they pay on the certificates of deposit with the State - 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: July 1 and January 1. 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 \$9.53 million in interest income for the State General Fund. \$110,361.64 was deposited during FY 2020. 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, 2020, was 0.5.

KANSAS HOUSING LOAN DEPOSIT PROGRAM

A second linked deposit program was created by the 2008 Legislature with SB 387. They created the Kansas Housing Loan Deposit Program 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. \$60 million was designated for the program, splitting the funds between specific disaster areas and the areas outside those disaster areas. The money was to be used for building or rehabilitating a home. The interest rate would be 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% 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.

CASH MANAGEMENT PROGRAM (Continued)

- Available to fund multi-family dwellings
- Maximum value now would be linked to the federal MRB rate (\$287,434 for single-family or \$552,757 for multi-family)
- Developers would now be able to borrow up to \$2 million in multiple loans
- Rehabilitation would now be eligible

Further modifications to the program took place with the 2012 Legislature. The program expanded availability to Not-for-profit Adult care facilities with a \$2 million maximum.

At the end of FY 2020, there were no outstanding loans. This is the sixth consecutive year this program has not been utilized. The current mortgage market is favorable to borrowers; therefore, they are not currently needing additional resources. We continue to 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 the statutory provisions. In FY 2020, the City and County Highway Distribution subprogram, the Highway Equalization subprogram, and the Tax Increment Revenue Replacement were the only programs disbursing money.

FINANCIAL LITERACY

In the role of Chief Financial Officer for the State of Kansas, the Treasurer continues to encourage a bright financial future for Kansans through financial education.

This past year, the Treasurer's office launched the Kansas ScholarShop initiative. ScholarShop is a partnership between the Office of the Kansas State Treasurer and Sallie Mae, a nationwide consumer banking company specializing in student loans. With the goal of helping students improve their financial well being, ScholarShop provides easy access to a nationwide database that matches a student's personal profile to over \$24 billion dollars in scholarship funds. The ScholarShop initiative was launched in February at Washburn Rural High School in Topeka, KS. Nearly 200 students created profiles that allowed them to find scholarships, grants and awards tailored specifically to their deepest passions.

Educating the next generation of Kansans on how to be smart with their money is an ongoing initiative. The office continues to focus on researching and developing new initiatives that engage public, private, and quasigovernment organizations in the delivery of financial literacy instruction and curriculum.



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