



February 14, 2013

To: Senate Committee on Ethics, Elections and Local Government

From: Kathleen A. Taylor, Kansas Bankers Association

Re: **SB 130: Investments in Gold by Local Governments**

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present written testimony today as a neutral conferee to **SB 130**, which would amend K.S.A. 2012 Supp. 12-1675, to allow local units of government to invest public funds in precious metals.

The Kansas Bankers Association is a nonprofit trade organization, proud to have 99% of the banks chartered in Kansas as its members. The KBA has had a long-standing policy of advocating that the state's policy should be to keep tax dollars that are collected in Kansas, invested in banks located in Kansas. While this bill does not change the state's policy that local units of government must first look to local financial institutions for investment of those dollars, we do want to raise a few concerns that we have with having this option for investment.

First of all, the bill does not specify where the public unit of government can purchase the metals. We have all heard stories about "fly by night" companies that sell gold and other precious metals, but in reality, are selling blue sky to potential investors. There appears to be no standards for determining who can be the seller of precious metals in the bill, and many public officials entrusted to invest local tax dollars may be unfamiliar with this market. One need only google "gold sales" to realize that this market is unregulated, and potentially available to anyone with a website fit for advertising.

Second, the bill does not specify how the precious metals will be valued. Will that be determined by the buyer and seller through a written agreement? What happens if the value changes over time? Should there be a provision that requires periodic re-evaluation of the value?

Finally, there is no specification for how or where the precious metal will be stored. Should there be guidance on how and where it is stored? Certainly, there is risk involved in holding a precious metal such as gold.

In conclusion, we understand the interest in finding an investment that is less susceptible to inflation, but believe there should be more guidance on the process and procedure involved before accepting precious metals as a suitable investment for local units of government.