

Subject

Banking
Deposit Public Money

Copy to



STATE OF KANSAS

Office of the Attorney General

State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

VERN MILLER
Attorney General

March 20, 1974

Opinion No. 74- 95

Carl O'Leary
State Bank Commissioner
Suite 600
818 Kansas Avenue
Topeka, Kansas

Dear Commissioner O'Leary:

You have forwarded to this office a request for our opinion concerning "on what basis the interest is to be computed on public funds under the Kansas Uniform Public Fund Interest Rate Act."

K.S.A. 12-1676 states in pertinent part thus:

"Interest paid by commercial banks on time deposit, open accounts and certificates of deposit as authorized herein shall be at the same rate as that which commercial banks are authorized to pay on moneys deposited in time deposit, open accounts under the authority of K.S.A. 75-4210, and amendments thereto, and K.S.A. 75-4212, and amendments thereto."

Although the foregoing is not identified by the Legislature as the Kansas Uniform Public Fund Interest Rate Act, it is doubtless the statutory language referenced in the letter you enclose. The interest rate is fixed by K.S.A. 75-4210, which provides in pertinent part as follows:

"(a) Every month the board shall meet and determine the average yield before taxes of 3-month United States treasury bills for the three (3) months next preceding such meeting.

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Carl O'Leary
March 20, 1974
Page Two

"(b) Until August 1, 1973, commencing on the first day of each interest period, interest shall be earned on inactive accounts at a rate equal to seventy percent (70%) of the yield on 3-month United States treasury bills as determined prior to the interest period. From and after August 1, 1973, commencing on the first day of each interest period, interest shall be earned on inactive accounts at a rate equal to one hundred percent (100%) of the yield on three-month United States treasury bills as determined by the board in the most recent such determination prior to the interest period."

The writer whose query you relate complains that some banks have been compounding the interest daily and figuring it on a 360-day table, whereas others do not compound the interest, but compute it on a 365-day table. While the manner of computing the payment of interest may result in a greater amount of interest being paid by one bank than by another, the different manner of computation does not affect the rate of interest itself, which is fixed by K.S.A. 75-4210. The statute does not speak to the manner in which interest shall be computed and paid, but only to the rate. The language of the statute affords virtually no basis for a construction that compounding of interest is prohibited.

It may be correct that the purpose of the 1973 amendments was to restrict or eliminate competition for the investment of public funds and "to have all banks paying the same interest rate on public funds." The interest rate is fixed by statute. The manner of its computation is not and it would be straining the language to infer therefrom a legislative prescription as to the manner in which interest should be computed, so long as the rate fixed by law is paid on all funds subject to the act.

Yours very truly,



VERN MILLER
Attorney General

VM:JRM:jsm

cc: Anderson Chandler
Charles Henson
Robert F. Bennett