



STATE OF KANSAS

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October 3, 1988

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ATTORNEY GENERAL OPINION NO. 88- 143

Lyell D. Ocobock
Executive Officer
Pooled Money Investment Board
Landon State Office Building, Suite 304-N
Topeka, Kansas 66612-1220

Re: State Departments; Public Officers and Employees --
State Moneys -- Definitions; Securities

Synopsis: A government trust certificate which evidences an interest in a trust, the assets of which consist of loan notes, of which 90% of the principal and interest are backed by a full faith and credit guaranty by the United States government through the Department of Defense, is a security which may be pledged against deposit of state moneys. The certificate may only secure an amount equal to the guaranty, and not the amount equal to the certificate's full value. Cited herein: K.S.A. 1987 Supp. 75-4201(p); 75-4218.

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Dear Mr. Ocobock:

As Executive Officer of the Pooled Money Investment Board, you have requested our opinion regarding the definition of securities funded in K.S.A. 1987 Supp. 75-4201(p). Specifically, you ask whether certain government trust certificates which are guaranteed in part by the United States government are securities which may be pledged against the deposit of state moneys.

Pursuant to K.S.A. 1987 Supp. 75-4218, state moneys deposited in a bank must be secured by such bank with the pledge of securities. Securities are defined in part as:

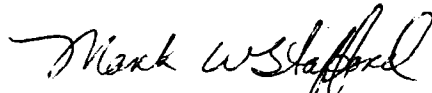
"Direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof. . . ." K.S.A. 1987 Supp. 75-4201(p) (1).

We believe that a government trust certificate which evidences an interest in a trust, the assets of which consist of loan notes, of which 90% of the principal and interest are backed by a full faith and credit guaranty by the United States Government through the Department of Defense, satisfies both the intent and language of that section.

You inquire as to what degree the certificate are eligible for pledging. As the obligation of the United States government is limited by the terms of guaranty to 90% of the payments of principal and interest, we believe that the certificates may only secure a deposit of public money in the amount equal to the guaranty, and not to the extent of the certificate's market value.

Very truly yours,


ROBERT T. STEPHAN
ATTORNEY GENERAL OF KANSAS


Mark W. Stafford
Assistant Attorney General

RTS:JLM:MWS:bas