

ABBYVILLE ABILENE ADA ADMIRE AGENDA AGRA AGRICOLA ALAMOTA ALBERT ALDEN ALEXANDER ALICEVILLE ALLEN ALMA ALMENA ALTA VISTA ALTAMONT
ALTON ALTOONA AMERICUS AMES ANDALE ANDOVER ANGLA ANTELOPE ANTHONY ANTONINO ARCADIA ARGENTINE ARGONIA ARKANSAS CITY ARLINGTON
ARMA ARNOLD ARRINGTON ASHERVILLE ASHLAND ASSARIA ASTON ATCHISON ATHOL ATLANTA ATTICA ATWOOD AUBURN AUGUSTA AURORA AXTELL BAILEYVILLE
BALDWIN CITY BARNARD BARNES BARTLETT BASEHOR BASSETT BAVARIA BAXTER SPRINGS BAZAAR BAZINE BEATTIE BEAUMONT BEAVER BEELER BEL AIRE BELLE
PLAINE BELLEVILLE BELMONT BELOIT BELPRE BELVIDERE BELVUE BENDENA BENEDICT BENNINGTON BENTLEY BENTON BERN BERRYTON BETHEL BEVERLY BIG
BOW BIRD CITY BISON BLAINE BLOOM BLUE MOUND BLUE RAPIDS BLUFF CITY BOGUE BONNER SPRINGS BREMEN BREWSTER BRIDGEPORT BRONSON BROOKVILLE
BROWNELL BUCKLIN BUCYRUS BUFFALO BUHLER BUNKER HILL BURDEN BURDETT BURDICK BURLINGAME BURLINGTON BURNS BURR OAK BURRTON BUSHONG
BUSHTON BYERS CALDWELL CAMBRIDGE CANEY CANTON CARBONDALE CARLTON CARLYLE CARONA CASSODAY CATHERINE CAWKER CITY CEDAR CEDAR
POINT CEDAR VALE CENTERVILLE CENTRALIA CHANUEY CHAPMAN CHASE CHAUTAUQUA CHENEY CHEROKEE CHERRYVALE CHETOPA CHISHOLM CIMARRON
CIRCLEVILLE CIVIC CENTER CLAFLIN CLAY CENTER CLAYTON CLEARVIEW CITY CLEARWATER CLEMENTS CLIFTON CLIMAX CLYDE COATS CODELL COFFEYVILLE COLBY
COLDWATER COLLEGE COLLYER COLONY COLUMBUS COLWICH CONCORDIA CONWAY CONWAY SPRINGS COOLIDGE COPELAND CORBIN CORNING COTTONWOOD
FALLS COUNCIL GROVE COUNTRYSIDE COURTLAND COYVILLE CRESTLINE CROWEBURG CRYSTAL SPRINGS CUBA CULLISON CULVER CUMMINGS CUNNINGHAM
DAMAR DANVILLE DE SOTO DEARING DEERFIELD DELAVAN DELIA DELPHOS DENISON DENNIS DENSMORE DENTON DERBY DEVON DEXTER DIGHTON DODGE
CITY DORRANCE DOUGLASS DOVER DOWNS DRESDEN DULUTH DUNLAP DUQUION DURHAM DWIGHT EARLTON EAST BANK EASTBOROUGH EASTON EDGERTON
EDMOND EDNA EDSON EDWARDSVILLE EFFINGHAM EL DORADO ELBING ELGIN ELK CITY ELK FALLS ELKHART ELLINWOOD ELLIS ELLSWORTH ELMDALE ELSMORE
ELWOOD EMMETT EMPORIA ENGLEWOOD ENSIGN ENTERPRISE ERIE ESBON ESKRIDGE EUDORA EUREKA EVEREST FAIRFAX FAIRVIEW FAIRWAY FALL RIVER FALL
FARLINGTON FELLSBURG FLORENCE FONTANA FORD FORMOSO FORT SCOTT FOSTORIA FOWLER FRANKFORT FRANKLIN FREDERICK FREDONIA FREEPORT FRIEND
FRONTENAC FULTON GALATIA GALENA GALESBURG GALVA GARDEN CITY GARDEN PLAIN GARDNER GARFIELD GARLAND GARNETT GAS GAS CITY GAYLORD
GEM GENESEO GEUDA SPRINGS GIRARD GLADE GLASCO GLEN ELDER GODDARD GOESSEL GOFF GOODLAND GORHAM GOVE GRAINFIELD GRANDVIEW PLAZA
GRANTVILLE GREAT BEND GREELEY GREEN GREENLEAF GREENSBURG GREENWICH GRENOLA GRIDLEY GRINNELL GYPSUM HADDAM HALLOWELL HALSTEAD
HAMILTON HAMLIN HANOVER HANSTON HARDTNER HARLAN HARPER HARRIS HARTFORD HARVEYVILLE HASKELL HAVANA HAVEN HAVENSVILLE HAVILAND
HAYS HAYSVILLE HAZELTON HEALY HEPLER HERINGTON HERKIMER HERNDON HESSTON HIATTVILLE HIAWATHA HIGHLAND HILL CITY HILLSBORO HILLSDALE
HOISINGTON HOLCOMB HOLLENBERG HOLLIDAY HOLTON HOLYROOD HOME HOPE HORACE HORTON HOWARD HOXIE HOYT HUDSON HUGOTON HUMBOLDT
HUNNEWELL HUNTER HURON HUTCHINSON IDANA INDEPENDENCE INGALLS INMAN IOLA IONIA ISABEL IUKA JAMESTOWN JENNINGS JETMORE JEWELL
JOHNSON CITY JUNCTION CITY KALVESTA KANOPOLIS KANORADO KANSAS CITY KAW KEATS KECHI KELLY KENDALL KENSINGTON KINCAID KINGMAN KINGSDOWN
KINSLEY KIOWA KIRWIN KISMET LA CROSSE LA CYGNE LA HARPE LABETTE LAFONTAINE LAKE CITY LAKE FOREST LAKE QUIVIRA LAKIN LAMONT LANCASTER
LANE LANGDON LANSING LARNED LATHAM LATIMER LAWRENCE LAWTON LEAVENWORTH LEAWOOD LEBANON LEBO LECOMPTON LEHIGH LENEXA LENORA
LEON LEONA LEONARDVILLE LEOTI LEOVILLE LEROY LEROY LEVANT LEWIS LIBERAL LIBERTY LIEBENTHAL LINCOLN LINCOLNVILLE LINDSBORG LINN LINN VALLEY
LINWOOD LITTLE RIVER LOGAN LONE ELM LONG ISLAND LONGFORD LONGTON LORRAINE LOST SPRINGS LOUISBURG LOUISVILLE LOVEWELL LUCAS LUDELL LURAY
LYNDON LYONS MACKSVILLE MADISON MAHASKA MAIZE MANCHESTER MANHATTAN MANKATO MANTER MAPLE CITY MAPLE HILL MAPLETON MARIENTHAL
MARION MARQUETTE MARYSVILLE MATFIELD GREEN MAYETTA MAYFIELD MCCracken MCCUNE MCDONALD MCFARLAND MCLOUTH MCPHERSON MEADE
MEADOW LAKE MEDICINE LODGE MEDORA MELVERN MENLO MENTOR MERIDEN MERRIAM MILAN MILDRED MILFORD MILTON MILTONVALE MINNEAPOLIS
MINNEOLA MISSION MISSION HILLS MISSION WOODS MODOC MOLINE MONTEZUMA MONTROSE MONUMENT MORAN MORGANVILLE MORLAND MORRILL
MORROWVILLE MOSCOW MOUND CITY MOUND VALLEY MOUNDRIDGE MOUNT HOPE MULBERRY MULLINVILLE MULVANE MUNCIE MUNDEN MURDOCK
MUSCOTAH NARKA NASHVILLE NATOMA NAVARRE NEAL NEKOMA NEODESHA NEOSHO FALLS NEOSHO RAPIDS NESS CITY NETAWAKA NEW ALBANY NEW ALMELO
NEW CAMBRIA NEW SALEM NEW STRAWN NEWTON NICKERSON NILES NIOTAZE NORCATUR NORTH NEWTON NORTH NORTON NORTONVILLE NORWAY NORWICH
OAK HILL OAKLAWN OAKLEY OBERLIN ODIN OFFERLE OGALLAH OGDEN OKETO OLATHE OLIVET OLMITZ OLPE OLSBURG ONAGA ONEIDA OPOLIS OSAGE CITY
OSAWATOMIE OSBORNE OSKALOOSA OSWEGO OTIS OTTAWA OVERBROOK OVERLAND PARK OXFORD OZAWKIE PAGE CITY PALCO PALMER PAOLA PARADISE PARK
PARK CITY PARKER PARKERFIELD PARKERVILLE PARSONS PARTRIDGE PAULINE PAWNEE ROCK PAXICO PEABODY PECK PENALOSA PENOKEE PERRY PERU PFEIFER
PHILLIPSBURG PIEDMONT PIERCEVILLE PIPER PIQUA PITTSBURG PLYMOUTH PLYMOUTH CENTER PLYMOUTH PLUMMER PLYMOUTH PRATT PLYMOUTH
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WEBBER WEIR WELDA WELLINGTON WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS WELLS
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2008 FISCAL YEAR REPORT TO THE KANSAS LEGISLATURE

SUBMITTED BY:
THE HONORABLE KANSAS STATE TREASURER LYNN JENKINS, CPA



Dear Governor Sebelius, members of the Kansas Legislature and fellow Kansans,

It is my pleasure to present to you the 2008 Annual Report for the Kansas State Treasurer's Office. We have achieved much success in the past year and I am proud to share this snapshot of our activity with you. In this report you will find summaries of the functions of the State Treasurer's office as well as brief reviews of each department's activities during the 2008 fiscal year.

The office's financial literacy initiatives continue to be well-received throughout the state. It has received generous support from private donations and grants, which makes most of these initiatives free of charge to Kansans. We are excited to report that our programs are educating our state's young citizens on how to save money and how to handle credit. One school-based program, Save@School, has helped Kansas kids save more than \$1.2 million.

Learning Quest, Kansas' 529 Education Savings Program, had another record-setting year! At the end of the fiscal year, we had over 119,000 accounts with combined assets of more than \$2.028 billion. The Kansas 529 plan continues to be ranked as one of the top plans in the nation.

The Unclaimed Property division continues to be a popular department. Our staff works hard to find Kansas property owners to return their lost or forgotten property to them. Their hard work paid off and we returned an outstanding \$11.5 million in cash and unclaimed financial assets to Kansans. The program's website was recognized by the Unclaimed Property Professional Organization for its user-friendliness and received the Holder's Choice Award for Best Website.

The information you will find in this report reflects the positive impact that the State Treasurer's Office is having on the lives of Kansans. I am proud this office continues to be an example for other State Treasurers across the United States when looking to streamline operations while increasing productivity.

Sincerely,

A handwritten signature in blue ink that reads "Lynn Jenkins".

Lynn Jenkins, CPA
Kansas State Treasurer



*Kansas State Treasurer
Lynn Jenkins, CPA*

FINANCIAL LITERACY

Bringing financial literacy to all Kansans continues to be an emphasis of the State Treasurer's Office. Through various programs, the office provides those tools necessary for Kansans to be successful and to ensure a financially secure future.

Save@School, Money\$mart Financial Management Camp, and the ABCs of Credit Card Finance are great educational programs that involve partnerships between the State Treasurer's office and financial institutions. Students learn basic financial skills and receive information on credit cards, budgeting, saving and goal setting.

Since 2004 Kansas kids have saved over \$1.2 million by participating in the Save@School programs in their schools. More than 450 students attended seven Money\$mart Camps held across the state during FY2008. Finally, eight ABCs of Credit Card Finance events were held around Kansas with 385 students attending. Plus, 240 booklets were distributed to each state college and Washburn University and 75 booklets were sent to each community college across Kansas.

The office's website offers online resources and opportunities. KidsZone provides homework helpers, facts on Kansas, educational games and important links to other state and government websites. Money Wi\$e is a free monthly financial newsletter sharing pertinent financial information with subscribers and visitors to the website.

INFORMATION TECHNOLOGY

The State Treasurer Office's IT Department is continuing its efforts to retire the DOS or 16-bit legacy code and reach the goal of all production systems being Internet/ Intranet based within the next two years. Additionally, the Cashier Fee Receipt System was rewritten during FY08.

One of the State Treasurer Office's major computer programs is utilized by the Unclaimed Property Division. The division's website search application, which was designed and is maintained by the IT department, was awarded the Holders Choice award at the Unclaimed

Property Professionals Organization (UPPO) national conference for outstanding design and user-friendliness of www.KansasCash.com.

A significant amount of time was spent on the rewrite of the State of Kansas inter-agency inter-fund transfer and receipt system. Before implementation it was determined that the new financial management system that the enterprise will be rolling out in July of 2010 would be able to incorporate most of that same functionality. Therefore this project was put on hold.

The State Treasurer's Office has been heavily involved in the Sunflower Project, the project to choose a new financial management system to replace STARS. The State Treasurer's Office IT staff has served on both the steering committee and on the evaluation team. The commitment to the evaluation team involved many hours throughout the last quarter to become familiar with all vendors competing to become the software implementer for the project.

The goal of a four-year hardware rotation for all desktop systems and three-year rotation of all mission critical servers is being met by the State Treasurer's Office IT staff. One department has started using the MS Vista operating system and additional departments will switch over as the desktop computers are replaced. The servers are also being moved to Windows Server 2008 with each replacement taking care to ensure that the software that needs to run on these operating systems is compliant.

AGRICULTURAL PRODUCTION LOAN DEPOSIT PROGRAM

The Agricultural Production Loan Deposit Program, created by the 2000 Legislature, has been a successful program – assisting more than 920 individual farmers over the span of merely seven years. The Legislature authorized the State Treasurer to administer this program as a method to assist agricultural borrowers with high debt to asset ratios whose lenders might not have sufficient cash to fund additional 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 crops are sold, then requesting another loan when purchasing seed for the next season's crops.

FY 2008

AGRICULTURAL PRODUCTION LOAN DEPOSIT PROGRAM

GENERAL INFORMATION

Approved Banks.....	57
Participating Banks.....	53
Participating Farm Credit System Offices.....	6
CD Interest Rate 7/01/08.....	1.82%
Maximum Loan Rate 7/01/08.....	5.82%

FY 2008 INFORMATION

Loans Funded in FY 2008.....	106
Loans Paid off During FY 2008.....	119
Number of Outstanding Loans as of 6/30/08.....	455
Outstanding Loan Balances as of 6/30/08.....	\$54.67 million
Dollar Amount of Requests Outstanding as of 6/30/08.....	\$8.971 million

LIFE OF THE PROGRAM INFORMATION

Borrowers Assisted Life of Program.....	1,237
Total Loan Funded Life of Program.....	\$164.6 million

Lenders that want to participate in the program are required to sign participation agreements with the State Treasurer's Office and Pooled Money Investment Board (PMIB). Each borrower must certify that they meet the legal criteria and will use the proceeds of the loan as intended by the program and their lender must certify as to the borrower's eligibility. Most lenders and borrowers find this to be a very simple process to follow.

The Legislature limited the funds available for these loans to \$55 million. To stretch these dollars, as loans payoff or principal payments are received, the State Treasurer's office makes the dollars available to fund new loans as needed. Since July 2000, almost \$165 million in loans have been funded and 106 loans were funded in FY 2008. Individual loans are limited to a maximum amount of \$250,000 with the average loan amount just over \$100,000. Most loans are much shorter in term than the eight years allowed by law. In fact, 119 loans were paid off during the fiscal year.

The lower-than-market interest rate authorized by the statute is calculated by PMIB staff each day and is displayed on their webpage. Banks are allowed a four percent spread between the rate they pay on the certificates of deposit and the interest rate on the corresponding loans as a means to help offset their liability for any potential losses due to the credit worthiness of their borrowers.

The state does not stand to lose any principal or interest on these loans. The 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 \$8.016 million in interest. The interest rate as of July 1, 2008 was 1.82 percent, down from July 2007.

As of the end of FY 2008, there were 455 outstanding loans with balances of \$54.67 million.

The Municipal Bond Services program is responsible for the registration of all municipal bonds issued in Kansas. In addition, this program provides registrar and paying agent services for the majority of all local municipal bond issues, as well as state issues, including bonds authorized by the Kansas Comprehensive Highway Program and by the Kansas Development Finance Authority.

As registrar and transfer agent for 89% of the outstanding municipal bond issues in Kansas, the State Treasurer maintains records on 31,940 bond holders to permit prompt and accurate processing of transactions, as well as timely payments of principal and interest to owners. In addition to the 2,288 bond and note issues in registered form which have been issued since 1983, this program also services 17 bearer-form issues.

When the State Treasurer is named the fiscal agent, a fee is charged to the issuing municipality for the services provided. Under current law, KSA 10-506, KSA 10-603 and KSA 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 authorized to charge and collect fees for the registration of bonds for which the State Treasurer is not the paying agent. These fees are also credited to the Bond Services Fee Fund and both are used to support the program. Total fees collected in FY 2008 were \$598,699 and credited to the bond services fee fund.

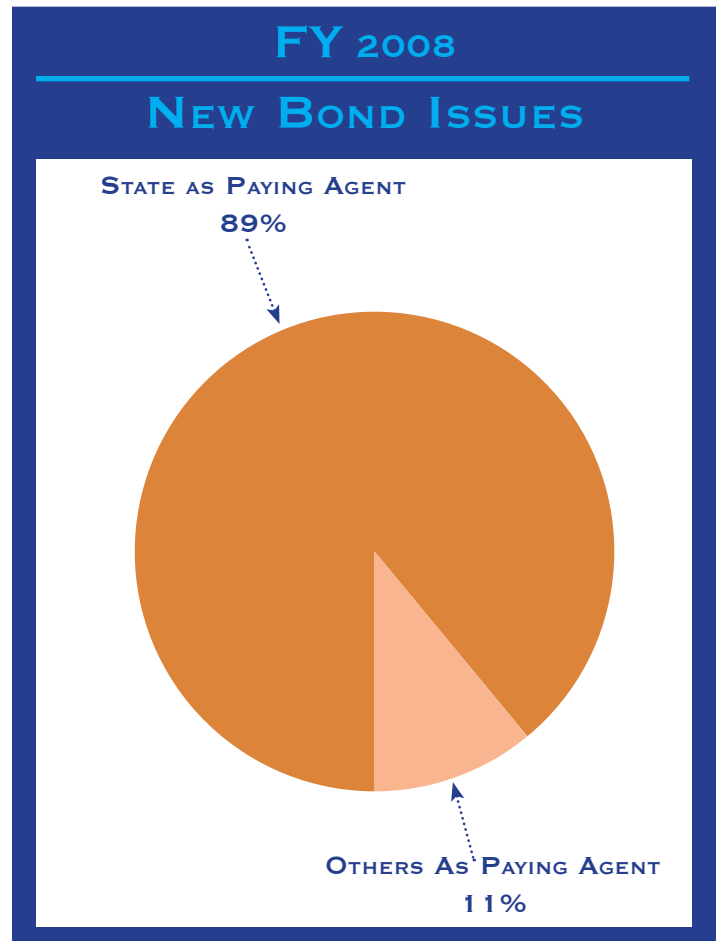
Principal and interest amounts are collected from the respective municipalities in advance of maturities to ensure timely payments. Payments for all issues serviced are approximately \$1.9 billion annually.

During the report year, 215 new issues were recorded and the State Treasurer was named paying agent on all but 24 of those bond issues. In addition, the State Treasurer was named Paying Agent on 50% of the 109 Temporary Note Issues. The total principal amount outstanding on bonds serviced as of June 30, 2008, was in excess of \$13.4 billion. Although not

recorded as such, the interest earned on the bond monies between the time of receipt and subsequent payout has a positive impact on funds available for investment and, consequently, to the State General Fund.

The Bond department has established a level of performance which compares favorably with that of many other transfer and paying agents. The efficiency of the transfer and paying agent is believed to be an important factor influencing investor willingness to purchase a particular bond issue, and therefore is also believed to affect the rate of interest at which an issue can be sold.

During FY 2008, transfers were submitted timely 100% of the time.



FY 2008 & 2007

MUNICIPAL BOND ACTIVITIES

	<u>FY 2008</u>		<u>FY 2007</u>	
	NUMBER	AMOUNT	NUMBER	AMOUNT
<u>BONDS</u>				
New Issues				
Total Registered	215	\$1,786,690,550	219	\$1,959,595,552
State As Paying Agent	191	\$1,432,843,550	183	\$1,472,912,552
State As Paying Agent	2,305	\$13,478,066,404	2,240	\$13,197,165,203
Transfers				
Cancelled	105	\$2,013,000	290	\$7,137,000
Issued	106	\$2,013,000	281	\$7,137,000
Calls	216	\$510,965,743	163	\$337,585,555
Registration Fees Collected		\$8,529		\$8,736
Standard Fees Collected		\$578,410		\$562,161
Commissions		\$11,760		\$14,204
<u>TEMPORARY NOTES</u>				
Total Registered	109	\$671,014,800	128	\$594,589,286
State As Paying Agent	55	\$249,364,000	73	\$244,869,380
<u>PAYMENTS</u>				
		\$1,991,723,830		\$1,660,751,948
<u>RECEIPTS</u>				
Cash and Wire		\$1,069,465,744		\$846,218,772
Interfund		\$901,646,880		\$819,972,262

The Cash Management program consists of two subprograms: Item Processing and Aid to Local Units of Government. Each is charged with accounting for the state’s funds accurately and efficiently.

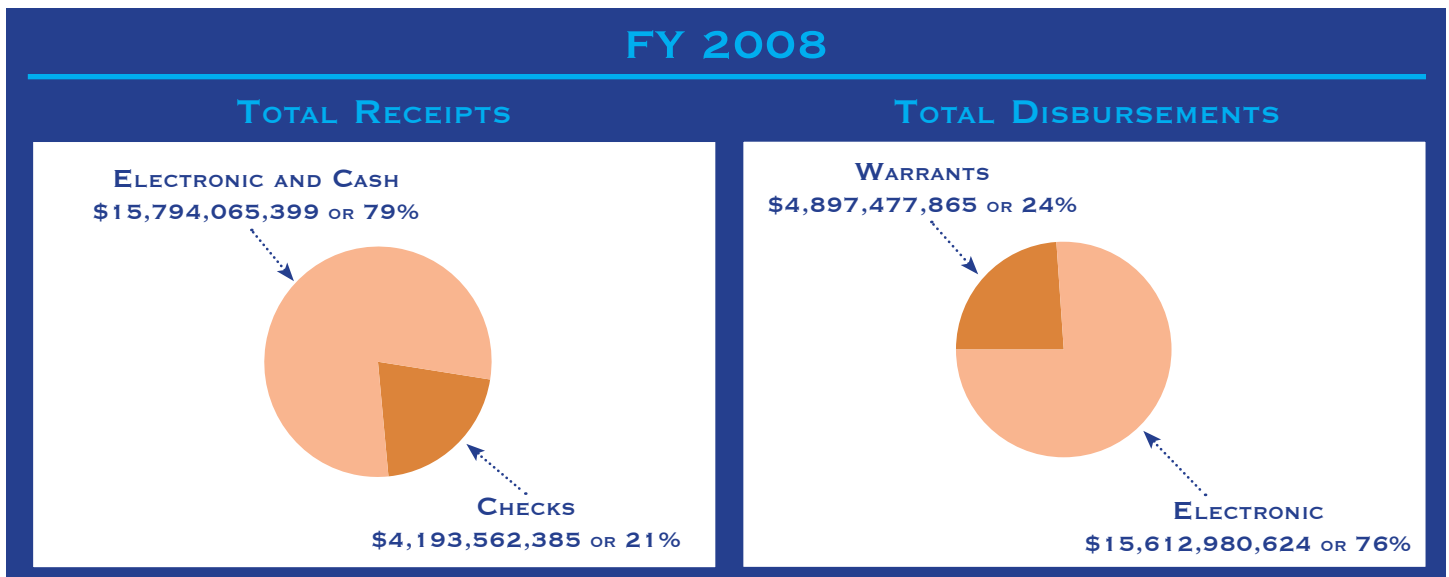
ITEM PROCESSING

The Item Processing subprogram is responsible for the recording and depositing of all state receipts and for the accurate accounting of all disbursements made through the warrant writing process. In an effort to make these processes more efficient and secure, this subprogram strongly encourages the use of electronic technologies whenever possible.

In fiscal year 2008, 79 percent of the state’s revenue dollars were received electronically or as cash and 79 percent of the state’s disbursement dollars were processed electronically. This represents 22 percent of the receipt items and 43 percent of the distribution items. Even though the total number of items received increased slightly, the percentage of receipts being received electronically increased 1 percent over FY 2007. The number of receipts processed by check again decreased from the previous fiscal year. The total number of disbursements has continued to decrease - 43 percent of those items are made electronically.

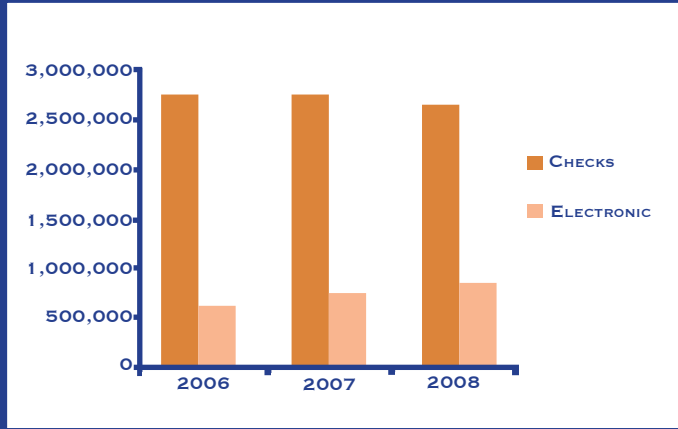
Another important function of the Item Processing subprogram is to ensure that the money deposited in any Kansas bank is secured, either by FDIC coverage or by approved collateral. The inventory and value of pledged collateral is maintained on a special software application called “The Vault.” The collateral is valued weekly and changes are monitored to make sure the state’s funds are fully protected.

This subprogram is further charged with monitoring and improving the state’s cash management practices. Each day, the program determines the state’s cash position and reports it to the Pooled Money Investment Board. The available funds are then invested by the board, according to statute.

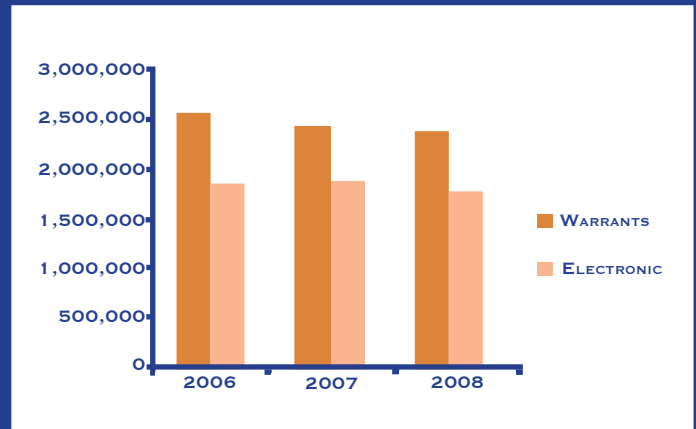


FY 2008

NUMBER OF ITEMS RECEIVED/METHOD



NUMBER OF ITEMS DISBURSED/METHOD



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. Since re-writing the distribution software, we are continuing to inform the municipalities of the many years of data available to them and the audit enhancements also available. Distribution data beginning with January of 1995, is available to the public on the State Treasurer's website. The distributions available are: Local ad Valorem tax reduction aid, city and county revenue sharing aid, local alcoholic liquor fund, special city and county highway fund, local sales and use tax, rental motor vehicle excise tax aid, tax increment financing revenue replacement, and transient guest tax. The Omnibus Bill in 2003 (and subsequent annual amendments) suspended the fiscal year 2004 through 2008 distributions for the city and county revenue sharing and the local aid valorem tax reduction ad.

DISTRIBUTIONS TO COUNTIES & CITIES

FY 2008 & 2007

	<u>FY 2008</u>	<u>FY 2007</u>
Local Ad Valorem Reduction Fund	\$0	\$0
County and City Revenue Sharing Fund	\$0	\$0
Local Alcoholic Liquor Fund	\$24,969,951	\$23,553,169
Special City and County Highway	\$141,669,569	\$151,446,812
Highway Equalization	\$2,500,000	\$2,500,000
Local Sales and Use Tax	\$857,303,222	\$851,549,185
Rental Motor Vehicle Tax	\$3,366,388	\$3,361,251
TIF Revenue Replacement Fund	\$1,107,077	\$961,432
Transient Guest Tax	\$30,164,626	\$25,496,912
Business Machinery & Equipment Tax Reduction Fund	\$20,324,493	\$0
Telecommunications & Railroad Mach. & Equip.Tax Red. Fund	\$5,535,867	\$0
TOTAL	\$1,086,941,193	\$1,058,868,761

The Unclaimed Property program seeks to return unclaimed property to the rightful owners or heirs. After a period of dormancy, the reporting business, also known as the holder, must remit specified types of abandoned personal property to the State Treasurer, who becomes custodian in perpetuity, preserving the right of the original owner or heirs to claim the property.

Property that may be deemed abandoned includes: safe deposit box contents, bank deposits, shares of stock, dividends, mineral royalties, certified checks, drafts or money orders, unclaimed funds held by insurance companies under life and property and casualty policies, utility deposits, property distributable during the voluntary dissolution of business associations, property held by courts and public officers and agencies, and miscellaneous intangible property held by one party for another.

All property that meets statutory requirements for presumption of abandonment must be reported and remitted to the State Treasurer. The holder may aggregate property valued below \$100 together. Any person claiming an interest in such property may then file a claim with the State Treasurer. The Unclaimed Property Division reviews all claims for the return of abandoned property received by the State Treasurer for appropriateness.

Unclaimed property information is stored and processed on a secure web-based system, allowing immediate reference to stored information and prompt updating of files. Holders may file reports on-line or submit information electronically on diskettes or CD-Rom, as well as through written reports which are keyed into the system by Unclaimed Property staff.

The amounts received from the disposition of unclaimed property are deposited into the state general fund. However, the State Treasurer does maintain a balance in the unclaimed property claims fund to pay claims allowed. A balance is also maintained in the unclaimed property expense fund, using this balance to operate the program.



FISCAL YEAR 2008

FY 2008 was a successful year for the Unclaimed Property program. Over \$20 million in unclaimed property was received. A portion of this amount resulted from the sale of stock received in an earlier year as required by the law. Unclaimed property returned to its rightful owners exceeded \$11.5 million in money and stock. (See chart.)

The State Treasurer's office maintained its usual booth at the Kansas State Fair in September. Over 3,785 claim forms were generated for a total amount of \$777,000 claimed.

Although the Internet site continues to be one of the main outreach tools and generates a great deal of interest and subsequent claims, most of the year the staff spent a good deal of time proactively searching for owners. One staff member is dedicated full-time to outreach while the rest of the staff searched as time allowed. As new property is reported, a staff member starts searching each name on the Internet. They attempt to make contact with the owner or their heirs and send claims to that person(s). 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.

One of the best "tools" available for the outreach effort is the Treasurer herself. Starting in 2003 when she took office, Treasurer Jenkins has routinely

made the Unclaimed Property a focus as she travels throughout the state speaking to small and large groups of Kansas citizens.

A feature of the new unclaimed property tracking system has proved to be very successful - the ability for owners' claims to be pre-approved if filed on the Internet. If the property held meets certain criteria and the claimant holds a valid Kansas driver's license or identification card, the system validates it against the Department of Revenue driver's license database and the claimant is informed right at the time whether the claim can proceed as a paperless claim. Unclaimed Property staff then review the claim on-line and either approve or deny the claim. Claims that are approved on-line move to the head of the approved claim list and the person can receive their check in just a few days, usually less than a week. Almost \$100,000 was paid out using this approval process.

This process is not available in most other states'

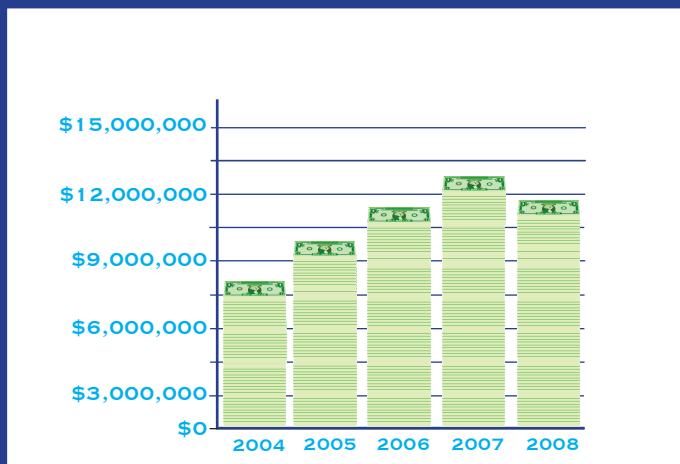
unclaimed property divisions and shows the Kansas State Treasurer's office is creative and willing to consider all possibilities when it comes to returning unclaimed assets to the rightful owners.



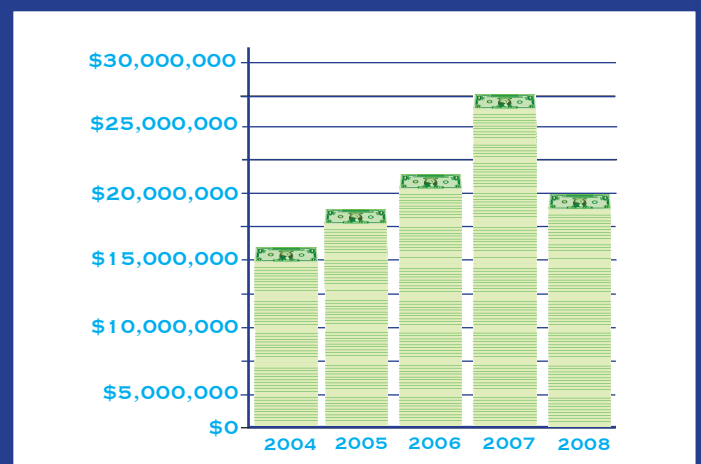
The State Treasurer's Office Unclaimed Property website was awarded the Holder's Choice Award for Best Website by Unclaimed Property Professional Organization at the organization's national conference.

UNCLAIMED PROPERTY FY 2008

RETURNED TO OWNERS



RECEIVED FROM HOLDERS



The Kansas Postsecondary Education Savings Program was created by the 1999 Kansas Legislature, in accordance with Section 529 of the Internal Revenue Service Code, to authorize investment savings accounts for higher education. At the request of the legislature, a task force was formed to develop more program specific statutes to actually create and govern a 529 program in Kansas. With legislative authority and statutory guidelines in place, the State Treasurer's office developed and executed a request for proposal to contract with an investment firm to manage marketing, customer service, and account maintenance aspects of program management.

Complying with statutorily governed Kansas bid law, American Century Investments was awarded the contract to manage the program administered by the Kansas State Treasurer.



The Learning Quest 529 Education Savings Program officially opened on July 1, 2000 providing individuals and organizations a tax-deferred option to save money for future higher education expenses. The program has been self-funded since FY 2002. The Schwab 529 Plan was added to the Kansas Education Savings program in 2003. The Schwab 529 Plan is distributed nationally and in Kansas by Charles Schwab & Co.

According to provisions of the Kansas Postsecondary Education Savings Program, individuals or organizations, as account owners, may fund an account for a beneficiary designated at the time the account is opened. The account owner selects an investment option suitable for their individual investment preferences and goals for the future. Federal law allows the account owner to change investment portfolios once each calendar year or each time a new beneficiary is named.

The account owner may change the beneficiary designation at any time, as long as a new beneficiary

is an eligible family member of the current beneficiary, according to the definition of "family" as determined by the Internal Revenue Service.

If funds in the account are used for the beneficiary's qualified, post-secondary educational expenses as defined by Section 529 of the Internal Revenue Service Code, investors won't pay taxes on the account's earnings. Currently, the definition of "qualified expenses" includes tuition, fees, books, room and board, supplies and other expenses required for the beneficiary's field of study at any post high school institution accredited by the federal College Board to receive federal financial aid, as well as special needs expenses associated with beneficiaries having special needs.

Besides the benefit of tax savings at the time of withdrawal, Kansas taxpayers have an additional incentive to make saving for college expenses a priority. Kansans may annually deduct contributions per beneficiary up to \$3,000 for an individual filer, \$6,000 for married couples filing jointly. Beginning January 1, 2007, Kansans can receive this Kansas income tax deduction when they contribute to Learning Quest or any other state-sponsored 529 college savings plan. This legislation enables Kansas taxpayers to choose the plan that works best for them and still get their Kansas income tax deduction.

PROGRAM ACCOMPLISHMENTS

Assets under management in the Program, which includes Learning Quest, Learning Quest Advisor, and the Schwab 529 Plan, have continued to grow, ending June 30, 2007, at \$2.028 billion. There are over 119,155 accounts owned by over 70,150 account holders. The average account has accumulated \$17,020 for the beneficiary's post-secondary education expenses. A total of \$391.3 billion was contributed to the Program in FY2008 with \$98.5 million of this amount contributed to accounts owned by Kansas residents. This represents a 9.2% increase in contributions, a 15% increase in the number of accounts, and a 9.5% increase in assets under management over the figures for FY2006.

The Program continues to attract significant investments from outside the state, which helps lower costs for Kansans. This also demonstrates how the plan remains competitive with other states' plans. Kansas rose to 17th from 18th place in assets under management as a state with less than 1% of the nation's population. The Schwab 529 Plan has shown impressive growth since its debut in 2003. Currently, the Schwab 529 ranks third among 90 college savings plans in average account balances while Learning Quest ranks seventh.

After last year's complete redesign of the Learning Quest's investment options and lower that were rolled out on April 30, 2007, this year brought few changes to the program. We are proud to eliminate the \$20 annual account maintenance fee that was formerly paid by non Kansas residents. This followed on the heels of a significant reduction in program management fees and resulting from the new contract with American Century Investments through June 30, 2012. This contract was the result of a competitive selection process in which investment managers from across the country were invited to submit proposals.

LEGISLATIVE ISSUES

In 2006, the Kansas Legislature asked the State Treasurer to track accounts with contributions within one year before a withdrawal to determine if taxpayers were taking advantage of the tax deduction for an extremely short term investment. In FY2006, \$1,137,247 that could have been eligible for a tax deduction was contributed by Kansas residents within one year before making a withdrawal. This represents 1.27% of the \$89.6 million contributed by Kansans in FY2006. The 376 purchases made within one year prior to a withdrawal is 0.15% of the 243,539 purchases made by Kansans in FY2006.

For FY2008, \$2,079,734 that could have been eligible for a tax deduction was contributed by Kansas residents within one year before making a withdrawal. This represents 2.11% of the \$98,471,170 contributed in FY2007 by Kansans. The 587 purchases made with

one year prior to a withdrawal is .20% of the 293,616 purchases made by Kansans in FY2008.

In 2009, we will be asking the Legislature to continue the Kansas Investments Developing Scholars Matching Grant Program for another three years after the end of its initial three year pilot.

KANSAS INVESTMENTS DEVELOPING SCHOLARS MATCHING GRANT PROGRAM



Fiscal year 2008 was the second year for the new K.I.D.S.

Matching grant program in which investors with a household income below 200% of the federal poverty level receive a matching contribution of up to \$600 from the state based on their contributions to their Learning Quest accounts in calendar year 2006.

The program started in August 2006 just three months after K.S.A 75-650 was passed by the 2006 Legislature. This required drafting regulations, forms, instructions, and marketing materials used in the program and working with American Century Investments to establish appropriate procedures and restrictions for these accounts. In less than five months, 81 Kansas opened and funded their K.I.D.S. accounts for 89 beneficiaries before December 31, 2006. The state deposited at total of \$43,278.75 in these accounts for an average of \$534 per investor.

Participation was greatly expanded in FY 2007. In 2007, 528 participants contributed 274,715.84 to accounts for 611 beneficiaries. The average contribution was just over \$520. Another 13 investors signed up for the program but failed to fund their accounts. A large part of this increase was due to a direct mail campaign in the fall of 2007 to 193,000 Kansans with potentially eligible incomes.

MARKETING AND OUTREACH OPPORTUNITIES

Over 2,200 seventh and eighth graders from across the state submitted essays for this year's annual

contest. This was an over 300% increase over last year! Winners from each grade level were selected and received their prizes in November. Each winner received a Learning Quest investment account and a pizza party for their classes or families for home-schooled children.

In an effort to continuously find creative ways to reach families with young children with the message to start saving for college early a number of new partnership were established and others were continued from previous years. We continued our

partnership with Kansas libraries to sponsor their Summer Reading Programs for young children and sponsored a concert tour at the libraries by Jim Cossgrove. Continued sponsorship of the “Born to be a Wildcat” program provided a way to connect with members of the KSU Alumni Association. We also continued to sponsor various youth sports organizations.

All marketing efforts and giveaways are paid for by American Century Investments.

KANSAS 529 POSTSECONDARY EDUCATION SAVINGS PROGRAM			
FY 2008 STATISTICS			
	<u>TOTAL ACCOUNTS</u>	<u>TOTAL ASSETS</u>	<u>AVERAGE BALANCE</u>
Kansas Residents	50,629	\$522,460,200	\$10,319
Non-Kansas Residents	68,526	\$1,505,607,239	\$21,971
TOTAL	119,155	\$2,028,067,438	\$17,020

FY 2008

KANSAS 529 PROGRAM STATISTICS

	<u>TOTAL ACCOUNTS</u>	PERCENTAGE OF <u>ACCOUNTS</u>	<u>TOTAL ASSETS</u>	PERCENTAGE OF <u>ASSETS</u>	<u>AVERAGE BALANCE</u>
<u>LEARNING QUEST</u>					
Kansas Resident	39,639	78%	\$439,024,710	84%	\$31,560
Non-Kansas Resident	30,850	45%	\$813,313,184	54%	\$48,075
Total	70,489	59%	\$1,252,337,894	61%	\$51,380
<u>LEARNING QUEST ADVISOR</u>					
Kansas Resident	9,747	19%	\$72,494,709	14%	\$7,438
Non-Kansas Resident	4,391	6%	\$63,362,393	4%	\$14,430
Total	14,138	12%	\$135,857,102	7%	\$9,609
<u>THE SCHWAB 529 PLAN</u>					
Kansas Resident	1,243	3%	\$10,940,781	2%	\$8,802
Non-Kansas Resident	33,285	49%	\$628,931,662	42%	\$18,895
Total	34,528	29%	\$639,872,444	32%	\$18,532

