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NEUTRAL TESTIMONY ON SENATE BILL 513
The Kansas Specie Legal Tender Act and the Kansas Bullion Depository Act
Presented to the Senate Committee on Federal & State Affairs
By Kansas State Treasurer Steven Johnson

February 19, 2024

Chair Thompson and Members of the Committee:

Senate Bill 513 would direct the State Treasurer to adopt rules and regulations for the approval and use of electronic currencies as a valid form of payment within the State of Kansas. The electronic currency is required to be backed by specie legal tender, which is defined as gold or silver coin or bullion. The gold or silver backing the electronic currency is required to be deposited within a secure vault within the state, and approved by the State Treasurer.

The second part of the bill would allow (but not mandate) the State Treasurer to establish and administer bullion depositories to provide a secure location for the storage of bullion. It would allow entities, including individuals, corporations and associations, to establish depository accounts with the bullion depository

Finally, the bill would allow the Pooled Money Investment Board to invest up to 20% of the pooled money in specie legal tender.

This bill raises many questions for our office, especially the cost to administer these programs. We also have concerns about how this bill would interact with federal banking regulations and the potential to subject the State to federal regulatory agencies. The ability to securely store and transact gold and silver within the state could pose numerous challenges and the potential for a high cost, given the security that would be required.

It is also unclear to us how many Kansans may wish to participate in this program. The likely transaction costs associated with moving funds in and out of specie, as well as the secure holding costs as described above could lower the number of Kansans who choose to participate, making the costs higher for remaining participants.

We have consulted with other state treasurers who also have questions about similar proposals in their states. In addition to the concerns raised above, it is also likely there are unknowns that we have not contemplated.

We look forward to working with the Legislature to find workable solutions to the problem the legislation intends to address. Thank you for your consideration.

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