

During the July 10, 2025 meeting of the Legislative Oversight and Investigations Committee (LOIC), Representative Smith asked LOIC analysts to look into how the Kentucky Fire Commission's carry forward funds are invested ([request at 14:10](#), [discussion from 11:55](#) to 14:55).

Revenue for the Kentucky Firefighter Foundation Program Fund (KFFPF) is generated through insurance premium surcharges, as mandated by KRS 42.190 and 136.392. Once collected, these funds are deposited into the state's central financial system and allocated quarterly to the Kentucky Fire Commission based on identified needs. Unallocated or unspent funds do not revert to the General Fund but remain in the State Treasury as a dedicated fund, where they are invested in accordance with statute.

All state funds—including KFFPF—are held by the Kentucky State Treasury. The State Treasurer acts as custodian of these state funds as well as the chair of the State Investment Commission (SIC). The commission is also composed of the secretary of the Finance and Administration Cabinet, the state controller, and two people appointed by the governor. One governor appointee must be selected from a list submitted by the Kentucky Bankers Association and one appointee must be selected from a list submitted by the Independent Community Bankers Association.¹ While statute identifies the Independent Community Bankers Association as a provider of candidates, the Bluegrass Bankers Association provides that list.²

SIC is legally bound by KRS 42.500 to manage public investments within strict statutory parameters. It meets at least quarterly to establish and review investment strategies, guided by a statutory hierarchy of objectives:

- **Safety of Principal:** The highest priority is preserving the full value of public funds. Speculative or volatile investments are strictly prohibited.
- **Liquidity:** Funds must be readily accessible to meet operational needs and fulfill allocations approved by the Kentucky Fire Commission for local fire departments.
- **Yield:** Only after safety and liquidity are ensured does the SIC aim to optimize returns.³

To meet these objectives, investments are restricted to highly secure and liquid instruments—primarily U.S. Treasury obligations, federal agency securities, and repurchase agreements.⁴ While these options may yield lower returns, they offer superior security and can be converted to cash quickly and without penalty.

The Office of Financial Management (OFM), a division of the Finance and Administration Cabinet, implements SIC policies and oversees the state's investment operations based on SIC guidance. This includes forecasting daily cash flow needs, planning for disbursements, and

¹ KRS 42.500 (1), (2).

² Kim Bechtel, deputy executive director for financial analysis, Office of Financial Management. Email to William Spears, August 7, 2025.

³ KRS 42.500 (3).

⁴ Kentucky. Office of Financial Management, Finance and Administration Cabinet. "Investment Manual." Dec. 5, 2024, pp. 6-7. Web.

executing investment transactions for all state-managed pools, including those containing KFFPF balances.⁵

The state's investments fall into three primary categories:

- **Short Term Pool:** Primarily composed of General Fund cash balances, which pay their earnings to the General Fund..
- **Intermediate Term Pool:** Includes investments from agency funds, state-held component units, and fiduciary accounts.
- **Limited Term Pool::** Primarily composed of other state agency accounts, which do not pay their earnings to the General Fund..⁶

Mr. Joe McDaniel, controller for the Finance and Administration Cabinet, stated unallocated and unspent FFPF dollars are invested in Kentucky's Intermediate Pool. This pool is documented in monthly reports on Kentucky's investment pools, available at <https://finance.ky.gov/Office-of-the-Controller/Office-of-Financial-Management/Pages/monthly-investment-reports.aspx> .

The June 2025 report on Kentucky's investment pools provides the following information:

⁵ Kentucky. Office of Financial Management, Finance and Administration Cabinet. "Investment Manual." Dec. 5, 2024, p 11. Web.

⁶ Ibid.

Legislative Oversight And Investigations Committee Meeting Request (July 10, 2025)

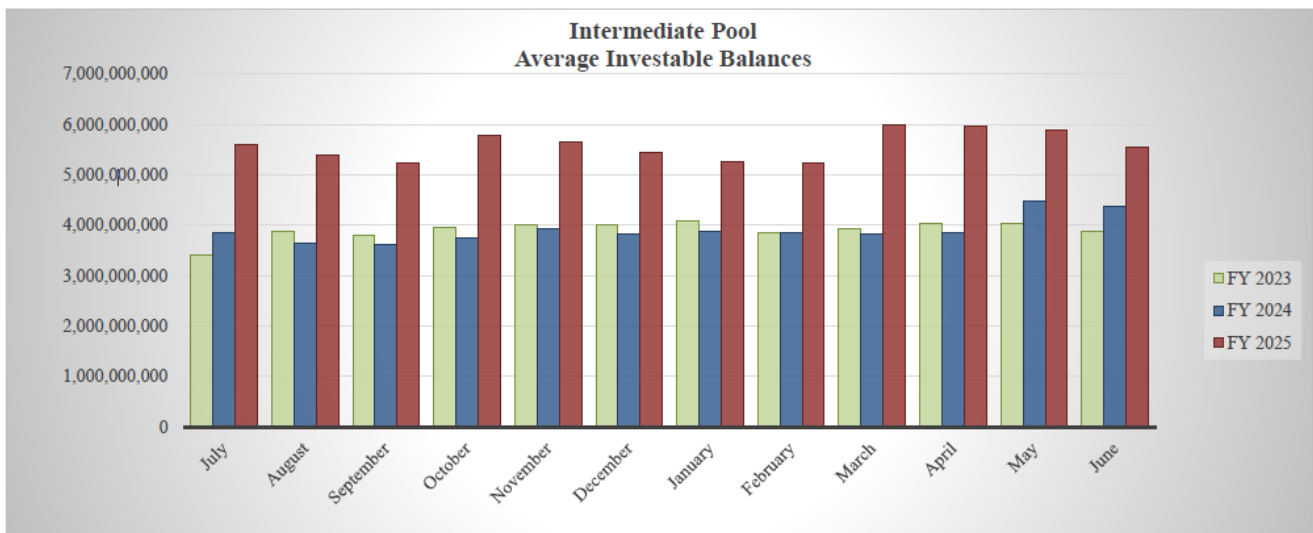
Committee Analysts' Response To Member's Investment Question

Contact: Will Spears, 502-564-8100 (ext. 59923)

Intermediate Pool

Portfolio Summary 6/30/2025

| Security Type | Book Value | Market Value | Market Yield | Duration (Years) | Portfolio Distribution |
|---------------------------------|------------------------|------------------------|--------------|------------------|------------------------|
| Treasury Bills | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| Treasury Notes | \$2,716,421,939 | \$2,746,619,811 | 4.06% | 0.81 | 49.8% |
| Sovereign | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| Agency Discount Notes | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| Agency Notes | \$1,148,630,620 | \$1,162,383,986 | 4.48% | 0.88 | 21.1% |
| Municipals | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| Corporates | \$317,132,517 | \$322,319,662 | 4.22% | 1.14 | 5.8% |
| Mortgages - Pools | \$122,931,085 | \$124,078,030 | 4.96% | 1.94 | 2.2% |
| Mortgages - CMOs | \$28,358,183 | \$27,939,174 | 5.07% | 2.14 | 0.5% |
| Asset Backed | \$245,760,195 | \$248,199,712 | 4.41% | 1.14 | 4.5% |
| Overnight Repurchase Agreements | \$239,052,477.05 | \$239,052,477.05 | 4.39% | 0.00 | 4.3% |
| Term Repurchase Agreements | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| Commercial Paper | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| Money Market Fund | \$650,000,000 | \$650,000,000 | 4.32% | 0.09 | 11.8% |
| Certificate of Deposits | \$0 | \$0 | 0.00% | 0.00 | 0.0% |
| | \$5,468,287,016 | \$5,520,592,852 | 4.24% | 0.77 | 100.0% |



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Intermediate Pool

Performance Results July 1995 through June 2025

| Time Period | Intermediate Pool | Benchmark A* | Benchmark B** |
|-----------------|-------------------|--------------|---------------|
| 1 Month | 0.443% | 0.563% | 0.401% |
| 3 Month | 1.102% | 1.171% | 0.934% |
| 6 Month | 2.368% | 2.736% | 2.000% |
| FYTD | 5.182% | 5.555% | 4.774% |
| 1 Year | 5.182% | 5.555% | 4.774% |
| 3 Year | 3.927% | 3.638% | 4.026% |
| 5 Year | 1.850% | 1.542% | 2.191% |
| 10 Year | 1.782% | 1.672% | 1.840% |
| Since July 1995 | 3.026% | 3.089% | 2.720% |

*Benchmark A consists of 70% Government 1-3 year, 15% Mortgage 0-3 and 15% money market.

**Benchmark B consists of 85% U.S. Treasury 1-Year Note Index and 15% Fed Funds Rate Index.

Returns less than a year are unannualized.

Intermediate Pool returns for all time periods listed are gross of management fee. Management fee is 0.05%, annualized.

