

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by Senator Paul Hess at  
Chairperson5:00 a.m./p.m. on March 1, 1983, 19\_\_ in room 123-S of the Capitol.

All members were present except:

Senators Bogina, Harder and Steineger

Committee staff present:

Research Department: Sherry Brown, Mary Galligan

Revisor's Office: Norman Furse

Committee Office: Mark Skinner, Doris Fager

Conferees appearing before the committee:

Dr. Robert Harder, Secretary Department of Social and Rehabilitation Services

Marvin Umholtz, Kansas Credit Union League

Jim Turner, Kansas Savings and Loan League (By written testimony only)

SB 184 - SRS Information Requests of Financial Institutions

Senator Doyen, sponsor of the proposal, presented his written statement. (See Attachment A) He noted that the Kansas Savings and Loan League had suggested an amendment to which he has no objection. (See Attachment C)

The Chairman then asked Dr. Harder to make a comment on the bill. He said that public assistance recipients are asked to report any assets they have, but it is difficult for SRS to be sure of the reporting. He said the bill is patterned after the Massachusetts act. Senator Hess asked if Dr. Harder saw any inherent problems with the bill. Dr. Harder answered that the most serious philosophical question is how far does SRS reach; and there needs to be a specification in the bill that there will be a matching only when computer tapes are available. He continued by stating that there are credit unions who do a manual workup on their accounts.

Mr. Umholtz presented his prepared testimony (Attachment B). He said he contacted his counterpart in Massachusetts, and found that Credit Unions are not included in the Massachusetts statutes. He further commented that, in visiting with other financial institutions, he felt they agreed with his suggested amendment No. 2.

Dr. Harder was asked to explain the process involved in making application for public assistance. He said part of the application includes signing of a form, and one of the items stipulated on that form is that they are willing to let the agency have access to their financial records. He said that SRS presently works with banks, but it isn't clear what lines of cooperation should be expected.

Dr. Harder then referred to Mr. Umholtz' reference to confidentiality of member accounts and a verification for the Credit Union's records. He suggested that a stipulation be made in the statute that SRS be obligated to make copies of that page of the application so that financial institutions would be aware of it. Senator Hein asked if Dr. Harder would have any problem with an amendment to the bill requiring that SRS send a verification along to the financial institution along with the request. Dr. Harder said he would not have a problem with that provision.

In answer to a question from Senator McCray, Dr. Harder explained what he meant by "matching tapes." He said that tapes from SRS can be matched with certain financial institutions which have that capability--thus giving SRS access to information available on a certain individual. He said this would be done in an experimental manner with banks in urban areas where the most problems arise with non-reporting of assets.

SB 184 - Continued

There was discussion concerning whether or not Massachusetts is now the only state having a similar law to SB 184. Dr. Harder said that, so far as he knows, it is; that he has requested information from them concerning the workability of the statute, but has not yet received it.

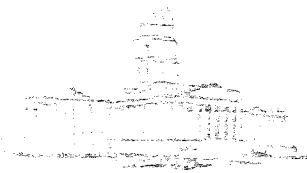
Dr. Harder suggested that, if the committee did not wish to act on SB 184, it may be well to request an interim study on the subject. He said he was aware that financial institutions might have some concerns, and that it might be good to have a program more compatible to everyone. Senator Werts suggested that the bill might discriminate between banks which are automated and those which are not. Other committee members agreed. No action was taken on SB 184.

The meeting was adjourned by the Chairman.

# State of Kansas

## Senate

ROSS O. DOYEN  
PRESIDENT OF THE SENATE  
PRESIDENT-ELECT,  
NATIONAL CONFERENCE OF  
STATE LEGISLATURES  
SENATOR, TWENTY-THIRD DISTRICT  
CLAY, CLOUD, DICKINSON, OTTAWA,  
WASHINGTON COUNTIES  
434 W. 9TH  
CONCORDIA, KANSAS 66901



COMMITTEE ASSIGNMENTS  
CHAIRMAN ORGANIZATION CALENDAR AND RULES  
LEGISLATIVE COORDINATING COUNCIL  
VICE-CHAIRMAN INTERSTATE COOPERATION  
COMMISSION  
VICE-CHAIRMAN LEGISLATIVE BUDGET  
MEMBER WAYS AND MEANS  
AGRICULTURE AND LIVESTOCK  
LEGISLATIVE POST AUDIT

## Office of the President

STATE CAPITOL  
TOPEKA, KANSAS 66612  
913-296-2419

I remain committed to assisting those Kansans in genuine need, as demonstrated by my subcommittee's compromise in SB 110 between the Governor's plan to cut thousands of Kansans from the welfare rolls and the current full level of funding. My opposition to those cuts was based on their "across the board" nature.

However, waste and fraud in the welfare system steals public funds from the truly needy and defeats the purpose of our public assistance programs.

SB 184 was introduced as a result of three tests in Massachusetts which matched the social security numbers of Massachusetts welfare recipients against bank accounts of cash and other deposits in 63 Massachusetts banks. These three tests disclosed that 3,345 individuals on AFDC, Medicaid, General Relief, Food Stamps, and SSI had liquid assets in excess of the limits within their respective programs. A total of \$25 million of undisclosed assets was found.

From this small sample, Massachusetts and the federal government will recover directly more than \$8.9 million in fraudulent payments to welfare recipients, and the savings from caseload reduction will be \$1.56 million annually. Their projections indicate a potential cash recovery that ranges from \$172 million to \$403 million when all of their 1,013 banks have been screened for public assistance recipient accounts, with a minimum of 6,000 cases removed from the Massachusetts welfare rolls.

Massachusetts state officials are questioning a definition of poverty that excludes assets. Is a recipient with an income level of

AWA 3-1-83  
5:00 P.M.

\$6,000, but with \$30,000 in the bank, really impoverished?

Kansas is considered to be one of the "better" welfare states. Massachusetts is questioning, "if a substantial number of welfare recipients are ineligible for public assistance as a result of hidden bank assets, is their welfare program so generous as to permit recipients to bank the excess, when it is generally accepted that cash assistance is intended to meet only current needs?"

While I am confident that we would find that Kansas recipients are more honest than the Massachusetts example would indicate, I believe we owe it to the hard-working citizens who are barely making ends meet while providing the taxes that provide the benefits, as well as to those who are not able to help themselves, to find out whether we have a problem with recipients with undisclosed assets. Any fraud or abuse of the system erodes public confidence in the system, and robs from the taxpayers and the honest recipients.

SB 184 is simply intended to allow the Department of Social and Rehabilitation Services to match recipients social security numbers with bank accounts to assist in determining the eligibility of welfare recipients.

Testimony of the  
KANSAS CREDIT UNION LEAGUE

on

SB 184 -- Treasurers of financial organizations re-  
quired to provide information to certain persons  
concerning applicants for or recipients of public  
assistance.

Presented to the  
SENATE COMMITTEE ON WAYS AND MEANS

March 1, 1983

by

Marvin C. Umholtz  
Governmental Affairs Director

AH B 3-1-83  
5:00 p.m.

Mr. Chairman, Members of the Committee:

I am Marvin Umholtz, Governmental Affairs Director for the Kansas Credit Union League (KCUL). Our association represents over 90% of the credit unions in Kansas, both state and federally chartered. Credit unions are member-owned cooperative financial institutions. Kansas credit unions serve over 400,000 members.

KCUL opposes the passage of SB 184 in its current form. While our association is certainly sympathetic to the intent of the measure -- uncovering fraud or abuse of public assistance programs, the bill as written is counter to KCUL's policy on confidentiality of member accounts.

#### KCUL POLICY POSITION

CU's strongly support the concept that the personal financial records of credit union members are to be held in strictest confidence by credit unions unless disclosure to third parties is authorized by the member.

After reviewing the provisions of SB 184 and the application of a similar law in the Commonwealth of Massachusetts (18 M.G.L. Sec. 15), KCUL believes that the bill can be amended such that our association's concerns are met.

#### SUGGESTED AMENDMENTS:

1. Require preauthorization in writing by the CU member who applies for or is receiving public assistance, a copy of such preauthorization to be filed with the credit union.
2. Add language to the bill which clearly protects the credit union from liability to the state or the individual account holder for errors or omissions in the information provided by the credit union when it is provided in good faith.
3. Provide for the reimbursement by the State of Kansas of actual costs incurred by the credit union in complying with the program.

Thank you for the opportunity to present our comments on this measure. I would be happy to expand on the comments made or answer committee members' questions at the direction of the Chair.



JAMES R. TURNER  
PRESIDENT

SUITE 612 • 700 KANSAS AVE. • TOPEKA, KANSAS 66603 • PHONE (913) 232-8215

March 1, 1983

TO: SENATE WAYS AND MEANS COMMITTEE  
FROM: JIM TURNER, KANSAS SAVINGS AND LOAN LEAGUE  
RE: S.B. 184 (SRS Information Requests)

The Kansas Savings and Loan League appreciates the opportunity to appear before the Senate Committee on Ways and Means and testify on S.B. 184 which subjects financial institutions to informational requests relating to recipients of public assistance. We are concerned that savings and loans and other organizations could be subject to liability for disclosure of an account holder's records. We would appreciate the consideration of the following amendment which would add a new subsection to section 1 of the bill to read as follows:

- (e) A financial organization shall not be subject to civil liability to any account holder by reason of disclosure of information by the financial organization under the provisions of this act.

We hope that the committee will include this amendment if S.B. 184 is approved for passage.

James R. Turner  
President

JRT:bw