

Approved

Date

Clyde D. Graeber 2/18/87

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS.

The meeting was called to order by Clyde D. Graeber at
Chairperson

3:30 ~~xxx~~ p.m. on February 12, 1987 in room 527-S of the Capitol.

All members were present except: Mary Jane Johnson, Excused; Ivan Sand, Excused; Lawrence Wilbert, Absent and Norman Justice, Absent.

Committee staff present: Myrta Anderson, Research Department
Bruce Kinzie, Revisor of Statutes
June Evans, committee secretary

Conferees appearing before the committee: Mel Battin, Assistant Commissioner, Consumer Credit Corporation
Stan Lind, Kansas Association Finance Service
Representative J. Santford Duncan

Clyde Graeber, Chairman, opened the meeting.

Bruce Kinzie, Revisor of Statutes, gave a briefing on House Bill 2164 relating to dollar amount adjustments; amending K.S.A. 16a-2-401a and repealing the existing section.

The following gave testimony on H.B. 2164:

Mel Battin, Assistant Commissioner, Consumer Credit Corporation, testified on H.B. 2164. Mr. Battin stated the designated dollar amount in 16a-2-401 are subject to change according to the extent of changes in the consumer price index for urban wage earners and clerical workers: U. S. City average, all items 1967 = 100, compiled by the bureau of labor statistics. The index for December 1974 is the reference base index. There is concern about the rapid escalation in the dollar amounts and this legislation would be a method to slow the escalation. (Atch I)

Representative J. Santford Duncan testified for passage of the bill stating the current statute allows too fast an escalation in the designated dollar amount.

Stan Lind, Kansas Association Finance Service, testified against H.B. 2164. Mr. Lind testified he felt passage of H. B. 2164 would dry up the availability of this type of credit. It would have a serious impact on the availability of funds for the borrower wanting to borrow \$500.00 to \$1,000.00.

Representative Ott moved and Representative Long seconded to amend the bill to read 5% instead of 10%.

After further discussion by the committee, Representative Ott moved and Representative Long seconded that their motion to amend the bill be left on the table and discussion of this bill be taken up at the next meeting on Tuesday, February 17.

Representative Long moved and Representative Roenbaugh seconded the motion that the minutes for the February 10 meeting be approved. The motion carried.

The meeting adjourned at 4:45 P.M.

The next meeting will be Tuesday, February 17, 1987.

February 12, 1987

STATEMENT OF MEL BATTIN
ASSISTANT CONSUMER CREDIT COMMISSIONER
ON HOUSE BILL NO. 2164

The Kansas Uniform Consumer Credit Code, in section K.S.A. 16a-2-401(2), states that a licensed supervised lender may contract for and receive a finance charge not exceeding 36% per year on the first \$300 of the amount financed and 21% on that part of the unpaid balance of the amount financed which is more than \$300, but does not exceed \$1,000, and 14.45% per year on the unpaid balance of the amount financed which is greater than \$1,000.

K.S.A. 16a-2-401a states that the designated dollar amounts in 16a-2-401 are subject to change according to and to the extent of changes in the consumer price index for urban wage earners and clerical workers: U.S. City average, all items 1967 = 100, compiled by the bureau of labor statistics. The index for December 1974 is the reference base index.

This section further states that the designated dollar amounts shall change on July 1 of each even numbered year if the percentage of change calculated to the nearest whole percentage point between the index at the end of the preceding year and the reference base index is 10% or more. However, it is to increase only in multiples of 10%. This section requires the administrator to announce this change by a rule and regulation. That rule and regulation is 75-6-24 (copy attached).

The reference base index is 155.4, which was the CPI for December 1974. The CPI for December 1985 was 323.4. This is an increase greater than 100% but less than 110%. Therefore, the designated dollar amounts were increased by 100%. The \$300 and \$1,000 in K.S.A. 16a-2-401 became \$600 and \$2,000.

During the review of this rule and regulation last summer, by the Joint Committee on Administration Rules and Regulations, the committee was concerned about the rapid escalation in the dollar amounts and asked us to suggest a method to amend this section to slow the escalation. HB No. 2164 is a result of our suggestion.

ATCH I

To better explain the committee's concern, let's assume the CPI for 1974 was 150 instead of 155.4 and the index for December 1985 was 300 instead of 323.4. This is a 100% increase. As the adjustment of the dollar amount is based on a 10% increase in the reference base index (150), each 15 points increase in the CPI is 10% of the reference base index, resulting in a \$30 and \$100 adjustment in the designated dollar amounts of \$300 and \$1,000.

A five percent increase in the 1985 index is 15 points and, also, it is a 10% increase of the reference base index. This means that an increase in the CPI of 5% from one period to another will result in a 10% adjustment of the dollar amounts of \$300 and \$1,000.

HB No. 2164, if enacted, would change the reference base index, or the index upon which the 10% increase is to be calculated, to the CPI for December on which the last adjustment was calculated. If the act were in effect at this time, the index would have to increase by 30 points (10% of the index for 1985) to make a 10% adjustment in the dollar amounts.

Attached are calculations of adjustments in the dollar amounts as they have occurred, and a comparison as if the bill had been in effect since the code was enacted in 1974. As you can see, the difference is 36% on \$480 instead of \$600 and 21% to \$1,600 instead of \$2,000. The difference in these two methods will be more significant in the future as the index increases.

75-6-25. Change in reference base index. The consumer price index in K.S.A. 1977 Supp. 16a-2-401a(1) shall be changed to the consumer price index for all urban consumers; U.S. city average, all items, 1967 = 100, compiled by the bureau of labor statistics, United States department of labor, and hereafter referred to as the index. The index for December, 1974, of 155.4% is the reference base index. (Authorized by K.S.A. 1977 Supp. 16a-2-401a(3), 16a-6-104(1)(e); effective May 1, 1979.)

January 22, 1986

CONSUMER PRICE INDEX ALL URBAN CONSUMERS CPI-U

DECEMBER 1985



	U.S. CITY AVERAGE			KANSAS CITY			DENVER			ST. LOUIS		
	1967=100	Percent Change From		1967=100	Percent Change From		1967=100	Percent Change From		1967=100	Percent Change From	
		1 Month Ago	1 Year Ago		2 Months Ago	1 Year Ago		1 Month Ago	1 Year Ago		1 Month Ago	1 Year Ago
ALL ITEMS	327.4	0.2	3.8	321.8	-0.4	2.6						
FOOD AND BEVERAGES	305.6	0.7	2.8	302.0	0.9	2.2						
Food	313.2	0.7	2.7	308.1	1.0	2.0						
Food at home	299.3	0.9	2.1	294.2	1.4	2.3	288.0	1.2	2.3	295.5	0.6	-1.5
Cereals and bakery products	321.9	0.6	3.6	317.9	0.6	4.8	308.9	0.2	4.1	335.4	-0.9	-0.2
Meats, poultry, fish, and eggs	269.9	1.4	1.5	252.9	1.7	-0.5	258.2	3.7	3.1	242.2	1.6	-5.4
Dairy products	256.9	-0.1	-0.6	273.3	-0.2	1.0	272.6	-1.1	0.4	284.0	0.7	2.5
Fruits and vegetables	323.9	3.1	4.6	329.3	1.5	3.9	282.8	1.7	-1.1	341.4	1.3	-1.8
Other foods at home	361.3	-0.2	1.9	344.4	2.4	3.6	353.6	0.1	3.6	354.6	-0.2	0.7
Food away from home	352.1	0.2	3.8	345.8	0	1.5						
Alcoholic beverages	236.2	0	5.5	247.6	0.2	4.4						
HOUSING	355.8	0.2	4.3	341.2	-1.4	1.2						
Shelter	392.3	0.3	6.0	379.9	-1.6	3.1						
*Renters' Costs	118.3	-0.1	6.3	118.9	-2.1	5.0						
Rent, Residential	272.4	0.3	6.4	229.1	-1.5	4.6						
Other Renters' Costs	398.1	-2.6	6.1	323.7	-5.8	8.3						
*Homeowners' Costs	116.3	0.4	5.9	112.7	-1.5	2.5						
Fuel and other utilities	393.3	0.3	1.9	373.1	-1.1	-3.9						
Fuels	483.6	0.4	0.7	452.9	-1.7	-8.0						
**Fuel oil, coal, and bottled gas ...	657.3	2.4	5.0	191.8	1.9	2.5						
Gas (piped) and electricity	439.9	-0.1	-0.5	454.1	-1.9	-8.5						
Household furnishings and operation ...	248.8	0	1.9	245.3	-1.3	2.4						
APPAREL AND UPKEEP	209.0	-1.0	2.9	219.8	-2.4	2.0						
Men's & boys' apparel	202.0	-0.8	3.1	210.4	-5.4	-0.8						
Women's & girls' apparel	172.6	-2.2	3.2	197.1	-1.1	1.7						
Footwear	213.1	-1.1	0.8	255.1	0.2	14.9						
TRANSPORTATION	324.0	0.2	2.6	310.5	0	3.2						
Private transportation	317.8	0.3	2.4	307.9	-0.1	3.0						
Public transportation	412.9	0	5.1	368.2	0.5	4.9						
MEDICAL CARE	414.7	0.4	6.7	421.4	0.9	5.0						
Medical care services	448.0	0.5	6.8	462.7	0.5	5.0						
ENTERTAINMENT	268.3	-0.3	3.2	246.9	-0.5	1.2						
OTHER GOODS AND SERVICES	336.5	0.4	6.3	345.9	0.6	8.8						
ALL ITEMS (1957-59=100)	380.8			381.9								

* December 1982=100 for U.S. and Kansas City; November 1982=100 for Denver and St. Louis
** June 1978=100 for Denver and Kansas City

URBAN WAGE EARNERS AND CLERICAL WORKERS CPI-W

	U.S. CITY AVERAGE			KANSAS CITY			DENVER			ST. LOUIS		
	1967=100	Percent Change From		1967=100	Percent Change From		1967=100	Percent Change From		1967=100	Percent Change From	
		1 Month Ago	1 Year Ago		2 Months Ago	1 Year Ago		1 Month Ago	1 Year Ago		1 Month Ago	1 Year Ago
ALL ITEMS	323.4	0.2	3.6	311.7	-0.4	2.5						
ALL ITEMS (1957-59=100)	376.1			370.0								

75-6-24. Adjustment in dollar amounts. The dollar amounts of \$300 and \$1,000 in K.S.A. 16a-2-401(2) and any amendments thereto shall be changed to ~~\$570 and \$1,900~~ \$600 and \$2,000. (Authorized by and implementing K.S.A. 16a-2-401a; effective, E-79-9, April 20, 1978; effective May 1, 1979; amended, E-81-15, June 25, 1980; amended May 1, 1981; amended, T-83-16, July 1, 1982; amended May 1, 1983; amended, T-85-18, July 1, 1984; amended May 1, 1985; amended, T-_____, _____; amended May 1, 1987.)

DEPT. OF ADMINISTRATION

MAR 28 1986

APPROVED BY *JAK*

ATTORNEY GENERAL

APR 1 1986

APPROVED BY *JLM*

ADJUSTMENT SINCE 1974

Adjustment of Dollar Amounts K.S.A. 16a-2-401a

The Consumer Price Index

Index 1967 = 100

Reference Base Index 1974 = 155.4

U.S. City Average - Wage Earners and Clerical Workers (CPI-W)

Dec.	CPI	Percent Increase in Ref. Base Index	Amount of Increase	Dollar Amount	Amount of Increase	Dollar Amount 1000
1974	155.4			300		1000
1975	166.3	7.01		No change		
1977	181.1	16.4	30	330	100	1100
1979	230.0	48.01	120	420	400	1400
1981	281.1	80.89	240	540	800	1800
1983	301.5	94.02	270	570	900	1900
1985	323.4	108.11	300	600	1000	2000

December, 1985
December, 1974
Increase

323.4
155.4
168.0

$\frac{168.0}{155.4} = 108.10\%$ increase in CPI-W since December, 1974

$\$ 300 + (300 \times 100\%) = \$ 600$
 $\$1,000 + (1000 \times 100\%) = \$2,000$

36% on \$600
21% from \$600 to \$2,000

ADJUSTMENT SINCE 1974 IF H B 2164 HAD BEEN IN EFFECT

The Consumer Price Index
 Index 1967 = 100
 Reference Base Index is the index for which the last dollar
 adjustment was calculated
 U.S. City Average - Wage Earners and Clerical Workers (CPI-W)

Dec.	CPI	Percent Increase Since Last Adj.	Amount of Increase	Dollar Amount	Amount of Increase	Dollar Amount
* 1974	155.4			300		1000
1975	166.3	7.01		300		1000
* 1976	174.3	12.16	30	330	100	1100
1977	181.1	3.90		No Change		
* 1978	202.9	16.41	30	360	100	1200
* 1979	230.0	13.36	30	390	100	1300
* 1980	258.7	12.48	30	420	100	1400
1981	281.1	8.66		No Change		
* 1982	292.0	12.87	30	450	100	1500
1983	301.5	3.25		No Change		
1984	312.2	6.92		No Change		
* 1985	323.4	10.75	30	480	100	1600

December, 1985	323.4
December, 1982	292.0
Increase	<u>31.4</u>

$\frac{31.4}{292.0} = 10.75\%$ increase in CPI-W since December, 1982

\$ 450 + (300 x 10%) = \$ 480
 \$1,500 + (1000 x 10%) = \$1,600

36% on \$480
 21% from \$480 to \$1,600

* Denotes reference base indices