

Approved

5/4/88
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Senator Edward F. Reilly, Jr. at
Chairperson

9:00 a.m./p.m. on April 27, 1988 in room 254-E of the Capitol.

All members were present except:

Senator Ehrlich was excused.

Committee staff present:

Mary Galligan, Legislative Research
Emalene Correll, Legislative Research
Mary Torrence, Assistant Revisor of Statutes
June Windscheffel, Committee Secretary

Conferees appearing before the committee:

Mr. Art Weiss, Deputy Attorney General, Consumer Protection Division

The Chairman welcomed the the conferee, Mr. Art Weiss, who was appearing on HB3000, concerning regulating travel promoters. Mr. Weiss gave copies of his statement (Attachment #1) to the Committee, and answered questions from the Members.

Nancy Lindberg, of the Consumer Affairs Division of the Attorney General's Office, was also present to assist in answering questions.

Senator Vidricksen asked if there had been any conversation with the Travel Industry Association of Kansas (TIAK). He felt there should be and would take care of that matter. He also said he felt the National Tour Association should be contacted.

A question was raised about the unlawful delegation of legislative authority in reference to the two private entities that are mentioned in the bill, and the Attorney General's Office is to look into that.

Senator Daniels moved to delete 501(c). The motion was seconded by Senator Bond. The motion carried.

Senator Strick moved to delete the exemption for ground transportation. The motion was seconded by Senator Arasmith. The motion carried.

Senator Daniels moved to amend so that the act would be in effect after publication in the Kansas Register. The motion was seconded by Senator Hoferer. The motion carried.

Senator Morris moved to delete Section 1 of the bill. The motion was seconded by Senator Strick. The motion carried.

In answer to a Member's question, Mr. Weiss said he did not think passage of this bill would make it necessary for the Attorney General to hire additional personnel. As it is, they spend a great deal of investigative time trying to track down "these people".

In the letter dated April 25, 1988, to the Legislative Coordinating Council, requesting a variety of interim studies, Senator Bond moved to delete "crime victims rights". The motion was seconded by Senator Morris. There was discussion concerning the study under way by the Attorney General and the fact that no interim study need be requested because of that. The motion carried.

The Chairman referred the Committee to SB703, concerning issuance of citations for certain alcoholic beverage law violations. No action was taken.

The meeting was adjourned.



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Testimony of Arthur R. Weiss
Deputy Attorney General, Consumer Protection Division
Before the Senate Committee on Federal & State Affairs
Hearing on H.B. 3000

April 27, 1988

Mr. Chairman & Members of the Committee:

Attorney General Stephan requested the introduction of this bill to attack a problem which has touched hundreds of Kansas consumers. Virtually every Kansan has received or knows someone who has received a postcard in the mail proclaiming that they have been selected or chosen to receive a "free" vacation. These postcards typically come from California, Texas or Florida. Some have pictures of exotic locations while others are disguised to look like official government mailings. They all have one thing in common, they attempt to get the consumer to give his or her credit card number over the telephone to an operator working out of a boiler room reading from a prepared script. These scripts are filled with lies and misrepresentations. These promotions, which have been labeled by the American Society of Travel

*Senate FSA
4/27/88
Attachment #1*

Agents, as "travel scams" steal billions of dollars nationwide from consumers every year. At a recent travel scam seminar, an agent of the U.S. Postal Inspection Service identified 80 such boiler rooms operating in Miami alone and stated that a typical boiler room could bring in 4.5 million dollars in six months.

Anyone who has a credit card or checkbook is a possible victim to these scam artists. These scams transcend educational, political, ethnic and geographical groups. Victims include students, government prosecutors, businessmen, court personnel and legislators. Attorney General Stephan's Consumer Protection Division has received hundreds of complaints from Kansas consumers who have been bilked of their money through these scams.

This bill would prohibit travel promoters from advertising their product unless they have actually arranged the transportation which they claim to provide. The promoter would not receive any money until such time as he provided the consumer with the disclosures set forth in section 4 of this bill. The travel promoter would be required to keep on deposit with the State Treasurer or a bank approved by the State Banking Commissioner cash or securities satisfactory to the Attorney General in the amount of \$500,000. Further, the travel promoter would be required to submit a list to the Attorney General of names and addresses of the promoter's

selling agents. In lieu of the deposit of cash or securities, the promoter may give a surety bond. The monies deposited by the promoter would be used to provide restitution to consumers in the event the promoter could not furnish the services he advertises.

I wish to point out that the definition of travel promoter has been specifically tailored to touch only the scam artists. The definition would not include air carriers, sea carriers, an officially appointed agent of an air carrier who is a member in good standing of the Airline Reporting Corporation, your local travel agent, non-profit tax exempt organizations such as Alumni Associations, members of the National Tour Association, or those who sell primarily ground transportation.

This bill is a front line defense for Kansans against travel scam artists. Unfortunately, by the time a consumer realizes he has been the victim of a travel scam, these boiler rooms have closed. Refunds are virtually impossible. However, with this bill, immediately after a scam artist begins sending postcards to Kansas consumers, the Consumer Protection Division would be able to seek the relief granted under the Consumer Protection Act to stop further promotions until such time as the promoter complied with the law. This would enable the Consumer Protection Division to stop these travel scams before Kansas consumers are bilked of their hard

earned monies. Incidentally, this bill is similar to legislation in effect in Illinois and California.

Thank you.