

Approved

3/19/90

Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at
Chairperson

9:00 a.m./~~p.m.~~ on THURSDAY, MARCH 15, 1990 in room 529-S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~

Senators Anderson, Karr, Kerr, McClure, Parrish, Reilly, Salisbury, and Strick.

Committee staff present:

Bill Wolff, Research Department
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

Jim Turner, KS-Nebr League of Savings Institutions
Ron Todd, Assistant Commissioner of Insurance
James Todd, Kansas Firefighters' Association
Jim Kaup, Kansas League of Municipalities

The meeting was called to order by the Chairman at 9:15 a.m.

HB 2633 - Savings & loan association; demand accounts.

Jim Turner, KS-Nebr League of Savings Institutions, was recognized by Chairman Bond. Mr. Turner stated that his organization supported this proposal because it would grant state-chartered savings and loan associations the same authority enjoyed by federal institutions to offer demand deposit accounts. (Attachment 1)

During the brief discussion which followed, Mr. Turner, in response to committee questions, explained that a demand account was a non-interest bearing checking account. He also stated that FIRREA does not require this type of legislation but that it would provide a "level playing field" for savings and loan institutions.

Senator Reilly made a motion to pass HB 2633 out of committee favorably and request that it be placed on the Consent Calendar. Senator Karr seconded the motion. The motion carried.

HB 2655 - Firefighters relief association.

Ron Todd, Assistant Commissioner of Insurance, was recognized by the Chairman for the purpose of explaining this bill. He advised that the Firefighters Relief Association needs this bill badly because reappraisal changed the formula for distribution of funds and altered the base. (Attachment 1)

James Todd, Kansas FireFighter's Association, appeared before the committee in support of HB 2655. He informed the committee that his organization had worked with the Insurance Department to work out the changes in the bill. He further explained that each association determines how they want to spend the money allotted to them by the Firefighters' Association. The money is distributed to each association member according to guidelines established in the state statutes and approved by the Insurance Department. (Attachment 3)

Jim Kaup, Kansas League of Municipalities, addressed the committee in support of HB 2655. Mr. Kaup stated that his organization was primarily interested in that part of the bill which would prevent association financial commitments from exceeding future revenues. He stated that the League had no strong position on other portions of the bill. (Attachment 4)

During a brief discussion, the committee agreed that a technical change should be made in the bill adding the words "district attorney" as well as county attorney where applicable.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:00 a.m. ~~xxx~~ on THURSDAY, MARCH 15, 1990.

Senator Reilly made a motion to amend the language in the bill, adding the words "district attorney" as well as county attorney. Senator Parrish seconded the motion. The motion passed.

Senator Karr made a motion to pass HB 2655 out of committee favorably as amended. Senator Strick seconded the motion. The motion carried.

The meeting adjourned at 10:03 a.m.

**Kansas-Nebraska
League of
Savings
Institutions**

James R. Turner, President

Suite 512
700 Kansas Avenue
Topeka, Kansas 66603
(913) 232-8215

March 15, 1990

TO: SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE
FROM: JIM TURNER, KNLSI
RE: H.B. 2633 (DEMAND DEPOSIT ACCOUNTS)

The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the Senate Committee on Financial Institutions and Insurance in support of H.B. 2633 which would grant authority for state-chartered savings and loan associations to offer demand deposit accounts. This authority was granted to Federal Savings and Loans in the 400-page FIRREA law.

House Bill No. 2633 would change current law as follows:

1. Section 1, lines 23-27, deletes the existing restriction that state chartered associations may only accept demand accounts from customers that have a business, corporate, commercial or agricultural relationship with the association. This bill allows state chartered associations to accept demand accounts from any customer.
2. Section 1, lines 30-35, deletes the existing restrictions on demand accounts referred to above and the restriction that state chartered associations may not pay interest on a demand account.
3. Section 1, lines 40-43 on page 1, and lines 1-8 on page 2, deletes existing restrictions on the term for savings accounts and advance notice and priority rules on accounts withdrawn. These provisions are now covered in the new language set forth in Section 1, page 3, lines 1-35, to be consistent with the restrictions applicable to federal associations in FIRREA.
4. Section 1, lines 24-27 on page 2, deletes the existing negotiable order of withdrawal accounts restrictions by allowing such accounts to be accepted from all customers.
5. Section 1, lines 1-35 on page 3, adds the specific demand account authorities granted to federal associations by FIRREA.

The bill would grant conformity between state-chartered and federally-chartered institutions and we would request the committee's earliest attention to reporting the bill favorably for passage and placing the measure on the consent calendar.

James R. Turner
President

*Attachment 1
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3/15/90*

Kansas Insurance Department
Testimony Before the
Senate Financial Institutions and Insurance Committee
on House Bill No. 2655
Presented by Ron Todd

In 1984 the legislature substantially revised the method by which firefighters relief taxes are apportioned to individual firefighters relief associations. The firefighters relief tax is a tax paid on fire insurance premiums which is collected by the Commissioner of Insurance for distribution to qualified firefighters relief associations in accordance with a formula prescribed by statute. The funds paid to such associations are for the relief and benefit of firefighters and their dependents when a firefighter is injured, disabled or killed in the discharge of their duties as a firefighter.

Prior to 1984 and the establishment of the statutory formula, insurance policies providing fire and lightning coverage were coded by the insurers so that the tax on the fire premiums could be specifically and directly assigned to the firefighters relief association where the covered property was located. This was an effective method of distribution but it was very expensive to administer and the rapid growth in urban areas was creating an increasing number of erroneous codings which was adding to the difficulties. Consequently, the 1984 legislative action was designed to modernize the method by which firefighters relief taxes were distributed and by doing so, make it more efficient without adversely affecting and in fact improving the end result.

There were a number of changes incorporated in the 1984 legislation but the one relevant to House Bill No. 2655 consisted of abrogating the old system of individual policy coding and replacing it with a system that uses population and assessed property valuation to measure the relative difference in fire protection responsibilities between fire districts

*Attachment 2
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and, in turn, firefighters relief associations. This new system is working well and has seemingly produced equitable distributions of the subject tax. However, statewide reappraisal presents a real problem because, if nothing is done, it will almost certainly result in significant changes in what some associations receive in relation to others even though the new assessed valuations do not change the number or size of the property protected by the fire district. As a result, House Bill No. 2655 suggests a change in the law which would nullify the effect of statewide reappraisal on the distribution of firefighters relief taxes.

The substantive amendment added by the House simply increases the minimum payment to each firefighters relief association from \$500 to \$1,000 per year.

Kansas State FireFighters' Association, Inc.



ORGANIZED AUGUST 13, 1887

March 15, 1990

TO: CHAIRMAN BOND AND MEMBERS OF THE FINANCIAL INSTITUTIONS AND
INSURANCE COMMITTEE

SUBJECT: HB 2655 -- RELATING TO FIREFIGHTERS RELIEF ASSOCIATIONS

Chairman Bond and Committee members. The Kansas State Fire Fighters Association has historically been supportive of all firefighters of the state. In 1957 the legislature amended the Firemen's Relief Act to provide that the commissioner shall deduct 3% of the Firemen's Relief Tax collected for all cities and pay that amount over to the Kansas State Firemen's Association. In other words, the law was broadened to provide that the full-paid fire departments also contributed to the money sent to the Kansas State Firefighter's Association to be used for the education and study of fire prevention and fire extinguishment. There seems to be no question as to the benefit received from the regional fire schools insofar as assisting and demonstrating to the volunteer fire departments, as well as the full-paid, a better understanding of fire prevention and fire extinguishment.

In 1985 the Legislature again provided all fire departments a death benefit of \$50,000 along with a basic minimum payment of \$500. The fire fighters of the state have been very supportive of the previous changes and have voted in favor of HB 2655.

*Attachment 3
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Dedicated to Safety and Education of the Kansas FireFighter

debate from the floor?

VERNE MCNATT, Shawnee: Would you restate that?

MR. MARLATT: Yeah, Verne. In 1988, the Kansas legislature enacted House Bill 2838. And in it stated that employers cannot charge in excess of 125 percent of the premiums charged to active firefighters for their group health insurance. And there's some concern that retirees can't afford that amount. The intent of this proposed change is to get that reduced down from 125 percent to a figure that the retirees can afford at a better rate. There wasn't any figure set, just try to get it reduced.

PRESIDENT THIRODEAU: Any other debate? Hearing none, all in favor of this motion indicate by saying "Aye" (Aye); opposed. (Carried)

MR. MARLATT: The pension legislation, the lady from K.P.E.R.S. went over that this morning. If there's any questions on any of that, of course, we're like they are, we don't know for sure whether it's going to pass. I'd say that that bill is going to pass. There again, that's House Bill 2403. If there's any questions now or at a later time, myself or Jim will try to answer them.

And now getting to the controversial part of my report here, Senate Bill 55. That's the Senate bill that was introduced by the League of Municipalities. There were three amendments that the league wanted when they proposed this piece of legislation. Does everybody understand those amendments? If they do, why, I won't waste everybody's time by going over them.

UNIDENTIFIED MAN: Run over them real quick.

MR. MARLATT: I'll read you the brief of the bill. Senate Bill 55 amends the Firefighters Relief Act to provide that all local Firefighters Relief Association expenditures are conditioned upon the availability of distributions to that association of the two percent premium tax monies at a level sufficient to meet those financial commitments. The bill clarifies which attorney is charged with the duty to certify that the association expenditures over 500 dollars comply with law. Investment authority of associations with respect to investments in municipal bonds is amended to make it conform with another bond investment proceeds law. And that law is K.S.A. 10-131. That's the cash basis law.

The duty of the city, county, township or fire district attorney to examine and approve all bond-related investments of an association is removed. This requirement that a local government's attorney preapprove bond investments does not appear to have any parallel in any other state law. The Senate

committee amended the bill to increase the minimum payment to associations from available proceeds of the insurance premiums tax from 500 dollars to one thousand dollars annually. And that last amendment there was the one that was proposed by the Kansas State Firefighters Association.

I might try to explain that maybe. That's fairly clear, but maybe it isn't to some of you, on the league's amendments. They were concerned with having a city attorney, or some cities don't even have a city attorney, so they wanted to change the language and have the local governing body designate an attorney instead of the language saying a city attorney. That's what that change was.

On the part on the cash basis law, that was just to bring it into line with other statutes in the state. Jim and I went and met with the state treasurer who handles those types of investments and regulates that. She said there wasn't any problem with that, that was not harmful to us at all.

The association also proposed an amendment in Senate Bill 55 to increase from 500 dollars to 1,500 dollars when that attorney has to approve those expenditures by a local association. Anything else, Jim? Any other questions on that? Okay.

The Legislative Committee, just right before lunch break, they recommend that the association pursue Senate Bill 55 in its present form for passage in the next legislative session. On behalf of the Legislative Committee I so move.

PRESIDENT THIRODEAU: You heard the motion from the Legislative Committee. Any debate from the floor? Hearing none, all in favor of the motion as stated indicate by saying "Aye" (Aye); opposed. Passed.

MR. MARLATT: That concludes my legislative lobbyist report and at this time the Legislative Committee Report. Maybe not totally, but for now.

PRESIDENT THIRODEAU: We won't dismiss you, we will leave you subject to call-back, but we don't pay overtime. At this time we'll go into the afternoon's program. It's a pleasure for me to introduce to you Colonel M.G. Weed, the deputy director from the Division of Emergency Preparedness.

S.A.R.A. TITLE III

Colonel M.G. Weed, Division of Emergency Preparedness

It's a real pleasure to be here with you this afternoon because over the past two years there's been a tremendous amount of contact between the firefighters and emergency preparedness personnel. I realize that a lot of you are the

KANSAS STATE ASSOCIATION OF FIRE CHIEFS



February 21, 1990

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To All Members Of KSAFC -

The question has arisen as to the position of the KSAFC on House Bill 2655 and Senate Bill 55 relating to the Firefighters Relief Act. One part of this bill amends the annual minimum distribution to each relief association from \$ 500.00 to \$ 1,000.00. This part has become controversial because the Kansas State Firefighters Association strongly supports this, and the Kansas League of Municipalities strongly opposes this part of the bill. There has been some misconception as to the position of the KSAFC on this bill because of a few individual viewpoints that have been expressed and assumed to be the position of the KSAFC. I will state the position of the KSAFC, as well as those of the State Firefighters and the League of Municipalities as I understand them so that this can be discussed at our annual conference Salina.

The Constitution and Bylaws of the KSAFC states in Article II, Section 3, that NO member of this association shall sponsor, approve, or introduce any bills into the State Legislature which would amend the Firemen's Relief Fund Law (KSA 40-1701 to 40-1707) without first bringing it before the association for approval. Because of this, the KSAFC cannot take either a positive or negative position on this until a vote of the association can be taken after discussion at the annual conference. Any opinions given by member Chiefs will have to be considered as only personal opinions at this time. After a vote of the association is taken, the KSAFC will state our position on this amendment.

As mentioned earlier, the League of Municipalities is in opposition to the minimum annual disbursement to each relief association. The basic reason for their opposition is that they feel this should be an equal tax program whereas each association receives 2% back on insurance premiums paid within their respective districts. They feel that shifting money from the larger associations to the smaller associations is unfair.

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SOUTHWEST

Chief Pat Simpson
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SOUTHEAST

Chief Gene Tucker
Montgomery County Fire Marshal
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1990 CONFERENCE - SALINA, KANSAS
1991 CONFERENCE - ARKANSAS CITY, KANSAS

The State Firefighters Association supports raising the minimum disbursement because they feel there is a need for the smaller departments to receive enough money to provide benefits for their firefighters even though they may be from a small rural area where only a small amount of insurance premiums are paid. They do not feel that this will have significant effect on the larger relief associations.

In summary, the issue is whether or not to have an equal share program for all relief associations and leave the minimum at \$ 500.00, or raise the minimum to \$ 1,000.00 and take some money away from the large departments to provide benefits for the smaller departments. At this time, as stated before, because of Article II, Section 3 of the Constitution and Bylaws, the KSAFC will have to remain in a neutral position.

Mike Tabor

Mike Tabor
President
KSAFC

Note: HB 2655 and SB 55 contains the following provisions:

1. Raises the minimum disbursement to each relief association from the present \$500.00 to \$ 1,000.00.
2. Increases the expenditure amounts from \$500.00 to \$ 1,500.00 before requiring an attorney's approval.
3. Allows local governing bodies to designate the attorney of their choice to make the approvals for expenditures above the proposed \$ 1,500.00.
4. States that a change in assessed valuations due to re-appraisal does not constitute a " change in circumstances " regarding re-determination of individual relief associations.

< As of this writing, HB 2655 has passed the House and is scheduled to be heard on Thursday, March 1, 1990 in the Senate. Mr. Ernie Mosher, Executive Director of the Kansas League of Municipalities, intends to testify against HB 2655 and has been lead to believe that the KSAFC is also against this bill. This letter is being sent to all members of the KSAFC, the League of Municipalities, and Joe Thibodeau - State Firefighters Association >.



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of Its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9565 Fax 354-4186

To: Senate Committee on Financial Institutions and Insurance
 From: Jim Kaup, League General Counsel
 Re: HB 2655--Firefighters Relief Act
 Date: March 15, 1990

On behalf of the League and its member cities, I appear in general support of HB 2655.

The provisions of the bill on pages 6 and 7 of the bill, except for line 37, are substantially identical to SB 55, introduced by the Senate Committee on Local Government last session and passed by the senate.

The amendment on lines 32:35 on page 6 are intended to prevent relief associations from entering into liability beyond their fiscal resources. Although it appears clear that the amount of financial assistance to be paid as relief to a firefighter, for injuries or physical disabilities, falls within the discretionary power of the association to administer its public funds (Lauber v. Fireman's Relief Association), 202 Kan. 564 (1969)), some questions have arisen regarding the possibility of associations "overcommitting" their funds--promising benefits to firefighters at a level beyond the amount of funds they are likely to receive from the state tax on insurance premiums. Such a situation raises legal liability questions for not only the association, but also, because of the wording of the act, potential liability for cities, counties, townships and fire districts.

The intent of the new language is to assure that association financial commitments do not exceed future revenues.

The amendment at lines 38:39 on page 6, is clean-up. It is to clarify which attorney is charged with the duty of certifying that relief association expenditures over a certain amount comply with the relief act. The amendment is consistent with a legal opinion rendered by the Insurance Department's general counsel by letter dated February 18, 1982. The League, in original SB 55, did not propose an increase in the amount of minimum annual distribution (lines 36:37 to each association from \$500 to \$1,500.
1,000.

The amended language found at lines 4:23 on page 7 is intended to modernize a restriction upon investment, in municipal bonds, of relief association funds that has remained unchanged since it was added to the act in 1941 (L. 1941, Ch. 257, sec. 5). The amendment borrows language taken from K.S.A. 10-131, which governs the investment of proceeds from bonds or temporary notes by municipalities. The amendment removes an archaic investment restriction, and replaces it with language that is used elsewhere in Kansas law to protect the investment of public funds.

*Attachment 4
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The amendment in lines 9:18 and in lines 21:22 on page 6 would remove the duty of the city, county, township or fire district attorney to examine and approve certain investments of an association. This requirement that a local government's attorney preapprove bond investments does not appear to have any parallel in other state law. The bill proposes that such investments need only be approved by the governing body of the city, county, township or fire district.

The League has no strong position on other parts of the bill. We do question the policy of increasing the minimum payment to an association from \$500 to \$1,500 (line 37, page 6), further eroding the original concept that payments are earned, based on actual fire insurance premiums, rather than being a state aid or subsidy, to an association. Our analysis indicates that about 57 associations would benefit by an amount of about \$8,000, with all other associations thus receiving less than they "earn". We object to the principle involved, rather than the amount at issue.