Approved: 4-28-92
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson George Teagarden at 1:35 p.m. on March 23, 1992 in room 514-S of the Capitol.

All members were present except: Representative Kline (excused).

Committee staff present: Ellen Piekalkiewicz,Legislative Research Department
Debra Duncan, Legislative Research Department
Jim Wilson, Revisor of Statutes
Sue Krische, Administrative Aide
Rose Baker, Committee Secretary

Conferees appearing before the committee:

Art Griggs, Department of Administration
Ron Todd, Insurance Commissioner
Ron Nitcher, Insurance Department
Bill Sneed, State Farm Insurance
John Campbell, Deputy Attorney General

Others attending: See attached list

HB 3168 - Pooled money investment board loans; converted to bond financing.

Art Griggs, Chief Attorney, Department of Administration, presented testimony in support of HB 3168 (Attachment 1). Mr. Griggs explained the purpose of this bill is to allow state agencies to replace PMIB loans with bond financing. In response to a question from Representative Vancrum regarding the PMIB interest rate being higher than the interest for bond financing, Mr. Griggs stated that when legislation approved the present loan the interest rate was fixed at the time of the first withdrawal.

HB 3169 - Insurance department service regulation fund, fees and tax receipts, annual assessments by commissioner.

Ron Todd, Commissioner of Insurance presented testimony expressing support for HB 3169 (Attachment 2). Commissioner Todd explained to the committee the background that led to the development of this proposal. He stated that in developing HB 3169, the Insurance Department believes this bill would minimize any additional burden imposed on insurers and also minimize any additional tax that might be assessed.

Ron Nitcher, Insurance Department, presented testimony in support of HB 3169 (Attachment 3). Mr. Nitcher stated that each company would be assessed a pro-rata share based on the total amount of their assets. This proposal will benefit the SGF annually by a minimum of $800,000, but state support of the Insurance Department remains capped at $4.8M.

William W. Sneed, Legislative Counsel, State Farm Insurance, presented testimony in opposition of HB 3169 (Attachment 4). Representative Patrick asked if there was concern among the Insurance Companies regarding the assessment proposal included in this bill. Mr. Sneed suggested that assuming that the Insurance Department in the future may find themselves short of funds, it could be possible that there would be an increase in assessments in order to cover costs.

A handout was provided by Mark V. Heitz, Chairman and General Counsel, American Investors Life Insurance Company, (Attachment 5) in support for HB 3169.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, room 514-S Statehouse, at 1:35 p.m. on March 23, 1992.

SB 619 - Disposition of certain unclaimed intangible property.

John Campbell, Deputy Attorney General, presented testimony in support of SB 619 (Attachment 6). Mr. Campbell stated that SB 619 is a technical adjustment and that this adjustment is needed to make certain that Kansas will be legally entitled to money from the litigation taking place in the case of Delaware v. New York which is now being heard by the Supreme Court.

Representative Heinemann moved that HB 3168 be recommended favorably for passage. Seconded by Representative Turnquist. Motion carried.

Representative Dean moved that HB 3169 be recommended favorably for passage. Seconded by Representative Heinemann. A substitute motion was made by Representative Patrick to amend HB 2972 into HB 3169. Seconded by Representative Mead. Substitution motion failed. Original motion carried. Representatives Patrick and Vancrum are recorded as voting no.

Representative Hamm moved that SB 619 be recommended favorably for passage and placed on the consent calendar. Seconded by Representative Chronister. Motion carried.

INTRODUCTION OF BILLS

Representative Turnquist moved to introduce a bill setting up an insurance marketing mechanism for insuring state buildings. Seconded by Representative Heinemann. Motion carried.

Representative Wisdom moved to introduce a bill concerning excursion boat entertainment games. Seconded by Representative Helgerson. Motion carried.

Representative Dean moved to accept the minutes, as presented, dated February 28, 1992. Seconded by Representative Helgerson. Motion carried.

Meeting adjourned at 2:50 p.m. The next scheduled meeting will be March 24, 1992 at 1:30 p.m. in room 514-S.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS DATE: 3-23-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
ML Manning	Topeka	DOB
Bill Caton	KDFA - Topeka	
Ron Todd	Topeka	Comm of Insurance
Ron Nitcher	Topeka	Ins. Dept.
Lee Wright	Overland Park	Farmers Ins. Group
Bob Wunsch	Lawrence	KUMC
Chuck Stones	Topeka	KBA
Joe Scranton	Topeka	Leg Staff
Steve Nearenberg	Topeka	Treasurer's Office
JoLana Pinon	"	Assist St. Treasurer
John Campbell	Topeka	KS AG
Carol Kelpin	Topeka	KDFA
Dennis Williams	Topeka	Dept. of Corrections
Northern Valley H.S. (8)	Almena, Ks	USD #212
David Hanson	Topeka	Ks Assoc P & C
Bill Sneed	Topeka	State Farm

STATE OF KANSAS

Joan Finney, *Governor*

DEPARTMENT OF ADMINISTRATION
LEGAL SECTION
107 Landon State Office Building
900 Jackson
Topeka, Kansas 66612-1214
(913) 296-6000
FAX #(913) 296-0043

MEMORANDUM

TO: House Appropriation Committee

FROM: Arthur H. Griggs, Chief Attorney
Department of Administration

DATE: March 23, 1992

RE: Replacing PMIB Loans with Bond Financing

Bill Summary. The purpose of House Bill No. 3168 is to allow state agencies to replace Pool Money Investment Board (PMIB) loans with bond financing. The Secretary of Administration would have to find that the bond financing is financially advantageous to the State. The bill permits the PMIB to invest the proceeds of the paid-off loans into longer term government securities.

Fiscal Impact. It is estimated that the State would save in the neighborhood of $600,000 by refinancing the PMIB loan for the purchase of the Landon State Office Building and in excess of $3 million by refinancing the $24.4 balance on the Department of Correction prison loans. Attachment A is a listing of all the current PMIB loans outstanding.

Policy Implications/Background. When the State is able to borrow money at a lower rate than it can earn on its investments, it is in the financial interest of the State to replace PMIB loans with bond financing.

Attachments

4660L

HA
3-23-92
Attachment 1

Attachment A

State of Kansas
PMIB LOANS
As of 08/01/91

08/19/91

Loan Purpose	Loan Balance	% Rate	Yrs. Remaining	Pmt. Date
Landon Bldg. Acquisition	8,433,750	7.900 Fixed	15	July
Printing Plant Construction	2,600,312	Variable	19	July
Kansas Water Office Loan	4,000,000	Variable	5	July Int. Only
Correctional Industries Loan (Jefferson County)	101,946	Variable	5	May
Department of Corrections Loan	23,682,545	7.840 Fixed	24	March
Department of Corrections Loan (Supplemental)	600,000	7.480 Fixed	24	March
Santa Fe Office Bldg Renovation	3,540,142	Variable	11	March
Animal Research Facility	3,948,678	Variable	17	December
Total	46,907,374			

Sample Debt Service Schedule 02/14/92

Project: Refinance Department of Corrections PMIB Loans for ElDorado and Larned Mental Health Facilities

Project Costs:	$24,400,494	
Issuance Costs:	$484,506	1.75%
Reserve:	$2,765,000	10.00%
Bond Principal:	$27,650,000	

Average Interest Rate:	6.645%
Term on Years:	22.5
Average Annual Payment:	$2,179,198

Pmt No	Date	FY	Principal	Rate	Interest	KDFA Admin Fee	Reserve Inc @ 6% Reserve Prin	Payment	Fiscal Yr Total	PMIB Loan	Benefit of Bonding
Dated	07/01/92	1993	PMIB Interest		634,182			634,182			
1	02/01/93	1993	570,000	4.25%	1,022,175	2,800	96,775	1,498,200	2,132,382	2,314,370	181,988
2	08/01/93	1994	280,000	4.25%	864,038	2,400	82,950	1,063,488			
3	02/01/94	1994	290,000	4.65%	858,088	2,400	82,950	1,067,538	2,131,025	2,314,326	183,301
4	08/01/94	1995	290,000	4.65%	851,345	2,400	82,950	1,060,795			
5	02/01/95	1995	305,000	4.95%	844,603	2,400	82,950	1,069,053	2,129,848	2,314,272	184,425
6	08/01/95	1996	310,000	4.95%	837,054	2,400	82,950	1,066,504			
7	02/01/96	1996	315,000	5.15%	829,381	2,400	82,950	1,063,831	2,130,335	2,314,245	183,910
8	08/01/96	1997	320,000	5.15%	821,270	2,400	82,950	1,060,720			
9	02/01/97	1997	340,000	5.35%	813,030	2,400	82,950	1,072,480	2,133,200	2,314,220	181,020
10	08/01/97	1998	345,000	5.35%	803,935	2,400	82,950	1,068,385			
11	02/01/98	1998	350,000	5.55%	794,706	2,400	82,950	1,064,156	2,132,541	2,314,135	181,594
12	08/01/98	1999	365,000	5.55%	784,994	2,400	82,950	1,069,444			
13	02/01/99	1999	370,000	5.65%	774,865	2,400	82,950	1,064,315	2,133,759	2,314,096	180,337
14	08/01/99	2000	385,000	5.65%	764,413	2,400	82,950	1,068,863			
15	02/01/2000	2000	390,000	5.75%	753,536	2,400	82,950	1,062,986	2,131,849	2,314,102	182,253
16	08/01/2000	2001	405,000	5.75%	742,324	2,400	82,950	1,066,774			
17	02/01/2001	2001	415,000	5.85%	730,680	2,400	82,950	1,065,130	2,131,904	2,314,116	182,213
18	08/01/2001	2002	430,000	5.85%	718,541	2,400	82,950	1,067,991			
19	02/01/2002	2002	440,000	5.95%	705,964	2,400	82,950	1,065,414	2,133,405	2,314,122	180,717
20	08/01/2002	2003	450,000	5.95%	692,874	2,400	82,950	1,062,324			
21	02/01/2003	2003	470,000	6.05%	679,486	2,400	82,950	1,068,936	2,131,260	2,314,068	182,808
22	08/01/2003	2004	485,000	6.05%	665,269	2,400	82,950	1,069,719			
23	02/01/2004	2004	490,000	6.15%	650,598	2,400	82,950	1,060,048	2,129,766	2,314,084	184,318
24	08/01/2004	2005	515,000	6.15%	635,530	2,400	82,950	1,069,980			
25	02/01/2005	2005	520,000	6.25%	619,694	2,400	82,950	1,059,144	2,129,124	2,314,042	184,918
26	08/01/2005	2006	545,000	6.25%	603,444	2,400	82,950	1,067,894			
27	02/01/2006	2006	560,000	6.35%	586,413	2,400	82,950	1,065,863	2,133,756	2,313,992	180,236
28	08/01/2006	2007	580,000	6.35%	568,633	2,400	82,950	1,068,083			
29	02/01/2007	2007	595,000	6.45%	550,218	2,400	82,950	1,064,668	2,132,750	2,313,919	181,169
30	08/01/2007	2008	620,000	6.45%	531,029	2,400	82,950	1,070,479			
31	02/01/2008	2008	630,000	6.55%	511,034	2,400	82,950	1,060,484	2,130,963	2,313,950	182,987
32	08/01/2008	2009	665,000	6.55%	490,401	2,400	82,950	1,074,851			
33	02/01/2009	2009	670,000	6.65%	468,623	2,400	82,950	1,058,073	2,132,924	2,313,978	181,054
34	08/01/2009	2010	710,000	6.65%	446,345	2,400	82,950	1,075,795			
35	02/01/2010	2010	715,000	6.75%	422,738	2,400	82,950	1,057,188	2,132,983	2,313,904	180,921
36	08/01/2010	2011	755,000	6.75%	398,606	2,400	82,950	1,073,056			
37	02/01/2011	2011	765,000	6.85%	373,125	2,400	82,950	1,057,575	2,130,631	2,313,878	183,247
38	08/01/2011	2012	805,000	6.85%	346,924	2,400	82,950	1,071,374			
39	02/01/2012	2012	820,000	6.95%	319,353	2,400	82,950	1,058,803	2,130,176	2,313,901	183,725
40	08/01/2012	2013	855,000	6.95%	290,858	2,400	82,950	1,065,308			
41	02/01/2013	2013	885,000	6.95%	261,146	2,400	82,950	1,065,596	2,130,904	2,313,852	182,949
42	08/01/2013	2014	925,000	6.95%	230,393	2,400	82,950	1,074,843			
43	02/01/2014	2014	940,000	6.95%	198,249	2,400	82,950	1,057,699	2,132,541	2,313,806	181,264
44	08/01/2014	2015	1,040,000	6.95%	165,584	2,400	82,950	1,125,034			
45	02/01/2015	2015	3,725,000	6.95%	129,444	2,400	2,847,950	1,008,894	2,133,928	2,313,789	179,862
46	08/01/2015	2016									
	Totals		27,650,000		27,785,127	108,400	6,511,575	49,031,952	49,031,952	53,223,168	4,191,217

Benefit to Tenants:	
Net Cost Reduction	4,191,217
Present Value Savings @ 6.645%	2,157,027

Prepared by: Kansas Development Finance Authority

Analysis of Cash Flows for Bond Proceeds, Interest Earnings, and Debt Service — 02/14/92

Project: Refinance Department of Corrections PMIB Loans for ElDorado and Larned Mental Health Facilities

Project Costs:	$24,400,494	
Issuance Costs:	$484,506	1.75%
Reserve:	$2,765,000	10.00%
Bond Principal:	$27,650,000	

Investment of Proceeds

Bond Proceeds Remaining Net of Debt Service 3,243,373

Pmt No (1)	Date (2)	FY (3)	Principal (4)	Rate (5)	Interest (6)	KDFA Admin Fee (7)	Res Inc & 6% Reserve Prin (8)	Payment (9) (4+6+7-8)	Invested Proceeds (10)	Rate (11)	Earnings (12)	Use of Proceeds (13) (9-12)	Cum Use of Proceeds (14)
Dated	07/01/92	1993											
1	02/01/93	1993	570,000	4.25%	1,022,175	2,800	96,775	1,498,200	491,000	4.30%	1,007,336	490,865	490,865
2	08/01/93	1994	280,000	4.25%	864,038	2,400	82,950	1,063,488	211,000	4.30%	852,874	210,614	701,478
3	02/01/94	1994	290,000	4.65%	858,088	2,400	82,950	1,067,538	220,000	5.02%	848,337	219,200	920,678
4	08/01/94	1995	290,000	4.65%	851,345	2,400	82,950	1,060,795	218,000	5.02%	842,815	217,980	1,138,658
5	02/01/95	1995	305,000	4.95%	844,603	2,400	82,950	1,069,053	232,000	5.60%	837,344	231,709	1,370,366
6	08/01/95	1996	310,000	4.95%	837,054	2,400	82,950	1,066,504	236,000	5.60%	830,848	235,656	1,606,023
7	02/01/96	1996	315,000	5.15%	829,381	2,400	82,950	1,063,831	240,000	6.16%	824,240	239,592	1,845,614
8	08/01/96	1997	320,000	5.15%	821,270	2,400	82,950	1,060,720	244,000	6.16%	816,848	243,872	2,089,486
9	02/01/97	1997	340,000	5.35%	813,030	2,400	82,950	1,072,480	264,000	6.41%	809,332	263,148	2,352,634
10	08/01/97	1998	345,000	5.35%	803,935	2,400	82,950	1,068,385	268,000	6.41%	800,871	267,514	2,620,148
11	02/01/98	1998	350,000	5.55%	794,706	2,400	82,950	1,064,156	272,000	6.72%	792,282	271,874	2,892,022
12	08/01/98	1999	365,000	5.55%	784,994	2,400	82,950	1,069,444	287,000	6.72%	783,143	286,301	3,178,323
13	02/01/99	1999	370,000	5.65%	774,865	2,400	82,950	1,064,315	291,000	6.88%	773,499	290,816	3,469,139
14	08/01/99	2000	385,000	5.65%	764,413	2,400	82,950	1,068,863	306,000	6.88%	763,489	305,373	3,774,512
15	02/01/2000	2000	390,000	5.75%	753,536	2,400	82,950	1,062,986	311,000	7.03%	752,963	310,024	4,084,536
16	08/01/2000	2001	405,000	5.75%	742,324	2,400	82,950	1,066,774	325,000	7.03%	742,031	324,743	4,409,279
17	02/01/2001	2001	415,000	5.85%	730,680	2,400	82,950	1,065,130	335,000	7.07%	730,607	334,523	4,743,801
18	08/01/2001	2002	430,000	5.85%	718,341	2,400	82,950	1,067,991	350,000	7.07%	718,765	349,226	5,093,027
19	02/01/2002	2002	440,000	5.95%	705,964	2,400	82,950	1,065,414	360,000	7.10%	706,393	359,021	5,452,049
20	08/01/2002	2003	450,000	5.95%	692,874	2,400	82,950	1,062,324	369,000	7.10%	693,613	368,711	5,820,760
21	02/01/2003	2003	470,000	6.05%	679,486	2,400	82,950	1,068,936	389,000	7.20%	680,313	388,423	6,209,183
22	08/01/2003	2004	485,000	6.05%	665,269	2,400	82,950	1,069,719	404,000	7.20%	666,309	403,210	6,612,393
23	02/01/2004	2004	490,000	6.15%	650,598	2,400	82,950	1,060,048	409,000	7.25%	651,965	408,082	7,020,475
24	08/01/2004	2005	515,000	6.15%	635,530	2,400	82,950	1,069,980	433,000	7.25%	637,139	432,841	7,453,317
25	02/01/2005	2005	520,000	6.25%	619,694	2,400	82,950	1,059,144	438,000	7.32%	621,443	437,701	7,891,018
26	08/01/2005	2006	545,000	6.25%	603,444	2,400	82,950	1,067,894	463,000	7.32%	605,412	462,482	8,353,500
27	02/01/2006	2006	560,000	6.35%	586,413	2,400	82,950	1,065,863	478,000	7.34%	588,466	477,397	8,830,897
28	08/01/2006	2007	580,000	6.35%	568,633	2,400	82,950	1,068,083	498,000	7.34%	570,923	497,159	9,328,056
29	02/01/2007	2007	595,000	6.45%	550,218	2,400	82,950	1,064,668	513,000	7.34%	552,647	512,021	9,840,076
30	08/01/2007	2008	620,000	6.45%	531,029	2,400	82,950	1,070,479	537,000	7.34%	533,820	536,659	10,376,736
31	02/01/2008	2008	630,000	6.55%	511,034	2,400	82,950	1,060,484	547,000	7.34%	514,112	546,372	10,923,108
32	08/01/2008	2009	665,000	6.55%	490,401	2,400	82,950	1,074,851	581,000	7.34%	494,037	580,814	11,503,922
33	02/01/2009	2009	670,000	6.65%	468,623	2,400	82,950	1,058,073	586,000	7.34%	472,714	585,358	12,089,280
34	08/01/2009	2010	710,000	6.65%	446,345	2,400	82,950	1,075,795	625,000	7.34%	451,208	624,587	12,713,868
35	02/01/2010	2010	715,000	6.75%	422,738	2,400	82,950	1,057,188	629,000	7.34%	428,270	628,917	13,342,785
36	08/01/2010	2011	755,000	6.75%	398,606	2,400	82,950	1,073,056	668,000	7.34%	405,186	667,870	14,010,655
37	02/01/2011	2011	765,000	6.85%	373,125	2,400	82,950	1,057,575	677,000	7.34%	380,671	676,904	14,687,559
38	08/01/2011	2012	805,000	6.85%	346,924	2,400	82,950	1,071,374	716,000	7.34%	355,825	715,349	15,403,108
39	02/01/2012	2012	820,000	6.95%	319,353	2,400	82,950	1,058,803	730,000	7.34%	329,547	729,255	16,132,364
40	08/01/2012	2013	855,000	6.95%	290,858	2,400	82,950	1,065,308	763,000	7.34%	302,756	762,551	16,894,915
41	02/01/2013	2013	885,000	6.95%	261,146	2,400	82,950	1,065,596	791,000	7.34%	274,754	790,842	17,685,757
42	08/01/2013	2015	925,000	6.95%	230,393	2,400	82,950	1,074,843	830,000	7.34%	245,725	829,118	18,514,874
43	02/01/2014	2014	940,000	6.95%	198,249	2,400	82,950	1,057,699	843,000	7.34%	215,264	842,435	19,357,310
44	08/01/2014	2015	1,040,000	6.95%	165,584	2,400	82,950	1,125,034	941,000	7.34%	184,326	940,708	20,298,018
45	02/01/2015	2015	3,725,000	6.95%	129,444	2,400	2,847,950	1,008,894	4,081,494	7.34%	149,791	859,103	21,157,121
46	08/01/2015	2016											
	Totals		27,650,000		27,150,945	108,400	6,511,575	48,397,770	24,400,494		27,240,649	21,157,121	

Prepared by: Kansas Development Finance Authority

Testimony by
Ron Todd, Commissioner of Insurance
Before the House Appropriations Committee
House Bill No. 3169

I am here today to express my support of House Bill No. 3169 which proposes to make the Insurance Department fee-funded beginning with FY 1993.

Before explaining the provisions of House Bill No. 3169, I would like to take a minute to explain the background that led to the development of this proposal.

Last year, our House Appropriations Subcommittee recommended that the Insurance Department become fee-funded. As a result, 1991 House Bill No. 2574 was introduced but never passed out of committee. The same provisions of that bill were added to 1991 Senate Bill No. 53 through a House floor amendment but were later removed in conference committee.

I fully understand and am sympathetic to the fact that the state's financial position has not vastly improved since last year. However, if my office is to continue to effectively meet the regulatory challenges presented by the insurance industry, particularly in the areas of insurance company solvency and rising workers compensation and health insurance premiums, we need additional staff and funding beyond what the state general fund can provide. As a result, I asked our subcommittee this year to again recommend that we become a fee-funded agency.

Making the Insurance Department fee-funded would bring us in line with the way many other states choose to fund their insurance departments. Presently, there are 23 other state insurance departments that are fee-funded and approximately 6 others trying to become fee-funded. In addition, the Insurance Department appears to be the only agency in our state responsible for regulating an industry that is not fee-funded. Other agencies in Kansas regulating industries that are fee-funded include the Corporation Commission, the Office of the Securities Commissioner, the Banking Department, the Savings and Loan Department, the Department of Credit Unions and the Real Estate Commission.

In developing House Bill No. 3169, we met with the chief executive officers of several of our domestic insurance companies including,in part, Blue Cross and Blue Shield, Security Benefit Life Insurance Company, American Investors Life Insurance Company, Farm Bureau Mutual Insurance Company and Farmers Insurance Company. With the input received from these companies, we believe we have developed a proposal which minimizes not only the additional burden that would be imposed on domestic insurers to do business in our state but also any additional retaliatory tax that might be assessed by other states.

HA
3-23-92
Attachment 2

With your permission Mr. Chairman, I would now ask that Ron Nitcher of my staff be allowed to explain the specific provisions of House Bill No. 3169 as well as its fiscal impact.

Testimony by
Ron Nitcher, Insurance Department
Before the House Appropriations Committee
House Bill No. 3169

House Bill No. 3169 contains three major provisions. It makes the Insurance Department fee-funded beginning in FY 1993, allows the Commissioner of Insurance to impose assessments on insurance companies and groups, and establishes new fees and authorizes certain existing taxes and fees to be increased. Specifically, this bill establishes a new fee fund entitled the Insurance Department Service Regulation Fund for the purpose of funding our insurance company regulation program which is currently funded from the state general fund. All fees plus a small amount of premium tax necessary to generate a maximum total of $4.8 million annually would be deposited into the new fee fund rather than the state general fund where such revenue is currently deposited. Based on the $3 million in fees collected last fiscal year, $1.8 million in premium tax would be deposited into the new fund. The $4.8 million figure is based on the Governor's FY 1993 recommendation for the insurance company regulation program which includes an appropriation of $4,820,632 from the state general fund and an appropriation in the amount of $61,145 from the general facilities building fund. In essence, this proposal freezes state support of the insurance company regulation program in the future to a maximum of $4.8 million per year.

In addition, the Commissioner of Insurance would be authorized to make an assessment on all insurance companies and groups doing business in Kansas equal to the difference between the $4.8 million and the budget approved by the legislature. Each company or group would be assessed a pro-rata share based on the total amount of their assets. An insurer or group's assessment could not be less than $500 nor exceed .0000015 of their total assets or $25,000, whichever is less. In the event that the total amount to be assessed is less than the amount that would be produced by assessing each insurer or group the $500 minimum, the Commissioner would be authorized to establish a lower minimum. The proposal also limits the annual increase in the assessment and includes a penalty provision for late payments. Based on the amount of funding the House approved for our agency for the upcoming fiscal year we would anticipate a FY 1993 assessment of approximately $150 on each insurer.

As noted earlier, House Bill No. 3169 proposes to establish new fees and authorize certain existing taxes and fees to be increased. New fees to be established include a notification fee of $250 for risk retention and purchasing groups seeking to do business in Kansas; a $2 annual registration fee for individuals soliciting memberships for prepaid service plans; and, a $100 notification fee payable by companies when appointing a managing general agent. Existing taxes and fees that would be increased by

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this bill include an increase in the excess lines premium tax rate from 4% to 6% and an increase in our service of process fee from $3 to $25.

With regard to fiscal impact, as explained previously, House Bill No. 3169 limits state support of our insurance company regulation program to $4.8 million per year since fees and premium tax totaling this amount which are now deposited into the general fund would instead be deposited into a fee fund. Therefore, whatever amount the legislature authorizes us to spend in excess of the $4.8 million represents a savings to the general fund. For example, if our budget is approved by the legislature in the amount of $5,012,643 as passed by the House the savings to the state would be over $200,000. Such savings would grow in future years in direct correlation with any increases approved to our budget by the legislature.

Although the provision making the Insurance Department fee-funded would generate a savings to the state general fund, it would also increase the total amount of taxes and fees that a foreign insurance company must pay to do business in Kansas thereby reducing the amount of retaliatory tax that we collect for deposit into the state general fund. However, because not all insurance companies are in a situation where they must pay retaliatory tax, the savings to the state general fund resulting from the $4.8 million cap would exceed any loss in retaliatory tax.

Based on the amount of excess lines premium tax collected in FY 1991, the increase in the excess lines premium tax rate would generate an additional $750,000 annually for deposit into the state general fund. The increase in the service of process fee and the establishment of the new fees developed under this proposal would generate an estimated $50,000 in additional revenue for the new fee fund. However, the amount collected from these additional fees will indirectly benefit the state general fund since it will reduce the amount of premium tax to be deposited into the fee fund.

Overall, we anticipate this proposal will benefit the state general fund by a minimum of $800,000 annually through increased revenue and from savings achieved by assessing the insurance industry for part of the cost of operating the Insurance Department. For FY 1993, based on our budget as approved by the House, we are estimating the benefit to the state general fund to be $1 million. Again, this amount should increase each year as our budget increases but state support of the Insurance Department remains capped at $4.8 million.

Since this proposal would provide the Insurance Department with a more stable source of revenue which is needed if we are to continue to successfully meet our increasing regulatory challenges and responsibilities and at the same time provide a substantial benefit to the state general fund, we urge your favorable consideration of House Bill No. 3169.

MEMORANDUM

TO: Representative George Teagarden
Chairman, House Appropriations Committee

FROM: William W. Sneed
Legislative Counsel
The State Farm Insurance Companies

DATE: March 23, 1992

RE: House Bill 3169

Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent the State Farm Insurance Companies. Please accept this memorandum as our testimony in opposition to H.B. 3169. As I am sure the proponents of the bill will indicate, this bill proposes to annually levy an assessment on each group of affiliated insurers doing business in Kansas for payment into the Insurance Department Service Regulation Fund.

My client supports the proper funding of all Insurance Departments throughout the United States. This, coupled with the fact of difficult financial times facing the state of Kansas, has encouraged some legislators throughout the United States to consider funding mechanisms similar to those found in H.B. 3169. Although we are not opposed to playing a role in the adequate funding of state Insurance Departments, we are opposed to mechanisms like H.B. 3169.

First, we are philosophically opposed to such funding mechanisms inasmuch as they would tend to have, on a more direct basis, the industry being regulated paying for such regulation. Although we can attest to the outstanding regulation done by the Kansas Insurance Department, we are concerned that such funding mechanisms may create an

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appearance that neither the legislature nor the industry wishes to establish. Further, such funding mechanisms could potentially bring claims that additional fines and assessments made by an insurance company might have some relationship to additional funding for a Department's future budget.

Second, the industry during fiscal year 1991 contributed over $78,000,000.00 in taxes and fees to the State General Fund. Additionally, the industry contributed over $470,000.00 in special reimbursement type funds, over $17,000,000.00 to the Kansas Workers' Compensation Fund, over $1,400,000.00 in excess lines agent payments, and the payment of just under $4,000,000.00 in firefighters relief tax payments. Even excluding these additional outside funds and taxes, the industry directly paid to the state over $78,000,000.00. That, in turn, is for a potential 4.8 million dollar Insurance Department budget. Thus, it would appear to my client that the insurance industry is paying its fair share relative to the amount of General Fund monies utilized to regulate the same industry.

Again, we applaud the efforts to provide additional funds to the Insurance Department, particularly in the area of financial regulation. However, based upon the above, we do not support H.B. 3169, and respectfully request your unfavorable treatment of the bill.

Respectfully submitted,

William W. Sneed

William W. Sneed
Legislative Counsel
The State Farm Insurance Companies

M E M O R A N D U M

TO: Representative George Teagarden
Chairman, House Appropriations Committee

FROM: Mark V. Heitz
Chairman and General Counsel
American Investors Life Insurance Company, Inc.

DATE: March 23, 1992

RE: House Bill 3169

Mr. Chairman, Members of the Committee: My name is Mark Heitz and I am Chairman and General Counsel for American Investors Life Insurance Company, a domestic life insurance company. within the state of Kansas. I wish to notify the House Committee on Appropriations of my company's support of H.B. 3169.

In the difficult financial times the state finds itself in and with the threat of federal regulation of insurance (which would also attempt to take insurance fees and taxes from the states), we believe it appropriate that the insurance industry be prepared to go the extra mile in supporting the Kansas Insurance Department. Only through a strong state Insurance Department can we assure the citizens of Kansas quality regulation. The Kansas Insurance Department has a tremendous reputation for such regulation, but due to unforeseen fiscal cutbacks, our Department is facing severe problems in maintaining this fine reputation. It is only through the appropriation of additional help that our Department can maintain its current level of excellence. Thus, we urge the Committee to support and successfully pass H.B. 3169.

I will be happy to discuss this with any individual on the Committee at his or her leisure.

Respectfully submitted,

Mark Heitz

Mark V. Heitz
Chairman and General Counsel
American Investors Life
Insurance Company, Inc.

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HOUSE COMMITTEE ON APPROPRIATIONS

Testimony In Support of

Senate Bill 619

By

John W. Campbell
Deputy Attorney General

March 23, 1992

Mr. Chairperson, Members of the Committee:

My name is John Campbell. I am a Deputy Attorney General for the State of Kansas. Attorney General Robert T. Stephan has asked me to testify in support of Senate Bill 619.

Since April of 1989, Kansas, along with the other States and the District of Columbia, has been a party to an original action in the United States Supreme Court entitled Delaware v. New York. By this litigation the Supreme Court will decide the manner in which unclaimed intangible

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personal property, primarily securities, is distributed among the states.

There is very good news in this case. The Special Master assigned by the Supreme Court to hear the case has adopted the position of the State of Kansas. That position calls for the return of unclaimed intangibles to the State of the issuer of the security giving rise to the property. Thus, unclaimed intangibles, including interest and dividends, would not go to the State of New York, the location of the principal offices of many security firms, but to the state whose governmental or business entity caused the securities to be issue.

This case may be worth as much as 10 million dollars to the State of Kansas. Senate Bill 619 is a technical adjustment to K.S.A. 1991 Supp. 58-3933. This adjustment is needed in order to make more certain that Kansas will be legally entitled to money from this litigation.

The Attorney General requests that you act favorable on Senate Bill 619. Final written arguments to the Court are due on May 11th. It is possible that the court will decide this case prior to its summer recess. The sooner

Senate Bill 619 is enacted into law, the better our chances are of recovering money in this litigation.