

Approved: 3/7/96
Date

MINUTES OF THE SENATE COMMITTEE ON ELECTIONS, CONGRESSIONAL & LEGISLATIVE
APPORTIONMENT AND GOVERNMENTAL STANDARDS.

The meeting was called to order by Chairperson Janice Hardenburger at 1:40 p.m. on February 15, 1996 in Room 529-S of the Capitol.

All members were present except: Senator Martin - excused
Senator Parkinson - excused

Committee staff present: Dennis Hodgins, Legislative Research Department
Gordon Self, Revisor of Statutes
Bonnie Fritts, Committee Secretary

Conferees appearing before the committee: Anthony Hensley, State Senator, 19th District
Tom Wilder, Director of Public Affairs, Kansas Insurance Department
Tad Kramar, Assistant Vice President, Security Benefit Group
Patrick Morris, Executive Vice President, Kansas Association of Insurance Agents

Others attending: See attached list

SB 452 **concerning election campaign finance; prohibiting contributions in elections for the office of insurance commissioner from regulated entities; and prescribing penalties for the violation thereof.**

Senator Hardenburger opened hearings on the bill.

Senator Hensley testified as chief sponsor of the bill explaining his position and cited Insurance Commissioner Sebelius as setting the standard for this bill in 1994 by not accepting any campaign contributions from the insurance industry while she was a candidate for that office (Attachment 1). This bill makes it illegal for any candidate to solicit or receive contributions from the very industry that he or she is responsible for regulating. The bill provides that no "regulated entity" shall make a contribution to the Insurance Commissioner or any candidate for that office. He also proposed including people that contract with the Insurance Commissioner in the list of prohibited contributors.

Tom Wilder appeared as a proponent of the bill and presented written testimony stating why the Kansas Insurance Department supports it (Attachment 2). He testified that his department regulates over 1500 companies and is responsible for licensing over 26,000 agents. He went on to say that the Kansas Insurance Commissioner is the only state official that is both elected and a regulator, and that by law, the Commissioner and her staff cannot accept over \$40 per year meals or other hospitality from entities which are regulated by the Department. However, currently, there are no prohibitions on contributions to a candidate for Insurance Commissioner during a campaign season. Passage of this bill will assure that there are no financial ties between the Commissioner and the insurance industry, and insurance professionals in this state will no longer feel pressured to contribute to the campaign of the Insurance Commissioner. He also provided written testimony from another group that could not testify in person (Attachment 3).

Mr. Wilder was asked by the committee to provide a list of categories included in "regulated entities".

Tad Kramar testified in support of this bill. He stated that the company he works for is committed to the concept of firm, but fair, regulation of the insurance business but when a regulated insurance company is a financial contributor to the campaign of the insurance commissioner, the perception of fairness is easily compromised and undermined (Attachment 4).

Patrick Morris appeared as an opponent of the bill saying that passage of this bill would exclude groups, other than those associated with the insurance business, who have an interest in the election of an insurance commissioner. He stated that the definition of a "regulated entity" in Section 1(a)(2) covers all of their members (Attachment 5). He said that his agency questions whether an individual prohibition is constitutional.

Discussion followed.

Senator Hardenburger closed the hearings on **SB 452**.

SB 544 **concerning elections; relating to election judges and clerks**

Hearings were opened on this bill.

Brad Bryant appearing and submitted written testimony stating reasons the Office of Secretary of State supported it (Attachment 6). His office recommends passage of this bill on the basis that it will help ease the shortage of election board workers, it will foster civic education and political participation among young people, as well as saving some money in certain counties. This legislation would expand the pool of good, trainable workers. Teenage board workers would also receive school credit for their service. He testified that some other states have been successful in using teenage board workers.

Discussion followed with the committee questioning whether or not sixteen and seventeen year old persons were mature enough to assume the responsibility of elections clerks and judges.

Senator Hardenburger closed the hearings on this bill.

SB 398 **concerning elections; relating to certain ballots**

Senator Hardenburger stated that this bill would be rolled into the NVRA bill.

The meeting adjourned at 2:25 p.m.

The next meeting is scheduled for February 19, 1996.

SENATE ELECTIONS, CONGRESSIONAL &
LEGISLATIVE APPORTIONMENT AND
GOVERNMENTAL STANDARDS COMMITTEE GUEST
LIST

DATE: 2/13/96

NAME	REPRESENTING
Brad Bryant	Sec. of State
Pat Morris	K.A.I.A.
Brenda White	Sen. Wensley
Tom Wilber	Kansas Insurance Dept
DAD KRANAK	SECURITY BENEFIT
Sen. Wensley	
Jenny Lawson	sen. Wisdom

ANTHONY HENSLEY
STATE SENATOR, NINETEENTH DISTRICT
SHAWNEE, DOUGLAS & OSAGE COUNTIES



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
RANKING MINORITY MEMBER: FINANCIAL INSTITUTIONS
AND INSURANCE
MEMBER: COMMERCE
EDUCATION
FEDERAL AND STATE AFFAIRS
LEGISLATIVE POST AUDIT
JOINT COMMITTEE ON
ECONOMIC DEVELOPMENT
HEALTH CARE REFORM
OVERSIGHT COMMITTEE
WORKERS COMPENSATION
FUND OVERSIGHT
COMMITTEE

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Madam Chairman and members of the Committee:

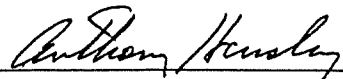
Senate Bill 452 would prohibit the Kansas Insurance Commissioner or a candidate for Insurance Commissioner from soliciting or accepting campaign contributions from any person or political committee on behalf of an insurance company. Insurance Commissioner Kathleen Sebelius set the standard in the 1994 elections by not accepting any campaign contributions from the insurance industry while she was a candidate for that office.

I strongly believe that it should be illegal for the Kansas Insurance Commissioner to receive campaign contributions from the very industry he or she is responsible for regulating.

For the purposes of establishing this public policy, Senate Bill 452 defines "regulated entity" in lines 18-22 of the bill. Further, in lines 23-27, the bill provides that no regulated entity shall make a contribution to the Insurance Commissioner or any candidate for that office.

In addition, in lines 28-32, the bill prohibits the Insurance Commissioner or any candidate for that office from knowingly soliciting or accepting a contribution from any regulated entity. Finally, in lines 33-35, any regulated entity in violation of the act would be subject to the penalty prescribed by K.S.A. 25-4181, which would be a civil fine of up to \$5,000 per violation.

Thank you for the opportunity to testify on this bill.



Anthony Hensley

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ATTACHMENT 1



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

MEMORANDUM

To: Senate Elections Committee

From: Tom Wilder, Director of
Government and Public Affairs

Re: S.B. 452 (Campaign Contributions)

Date: February 15, 1996

I would like to thank the Committee for the opportunity to appear today in support of Senate Bill 452. This legislation prohibits anyone who is licensed by the Insurance Commissioner or who engages in a business or profession regulated by the Insurance Department from making campaign contributions to the Commissioner. This bill is similar to H.B. 2021 which was introduced last session at the request of Commissioner Sebelius.

The Kansas Insurance Commissioner is the only state official that is both elected and a regulator. By law, the Commissioner and her staff can not accept over \$40.00 per year meals or other hospitality from entities which are regulated by the Department. However, there is no limit on how much they can contribute to a candidate for Insurance Commissioner during a campaign season.

Agents and insurers have reported being routinely solicited in the past for substantial contributions to fund the campaigns of previous Insurance Commissioners. For example, insurance agents in Hutchinson described a fundraising lunch for the Commissioner, where names were taken and people felt the "need" to attend. Passage of this proposal will establish appropriate independence between the Insurance

Commissioner and those who are regulated by the Department. The public will be assured that there are no financial ties between the Commissioner and the insurance industry, and insurance professionals in this state will no longer feel pressured to contribute to the campaign of the Insurance Commissioner.

This bill is already the law in Georgia which is one of the state with an elected Commissioner. The constitutionality of the law was challenged and upheld by the Georgia Supreme Court. The ban on contributions was also one of the recommendations of the Governor's Ethics Task Force in 1993.

Kansans pay more for insurance each year than they do in state taxes. Many groups, such as health care professionals, business owners, contractors, car dealers, attorneys and homeowners have a financial interest in decisions made by the Insurance Commissioner. Only one group-- those individuals and companies who are licensed to sell insurance products in Kansas--are directly regulated by the Insurance Department. The regulation of those groups creates a uniquely powerful relationship which is addressed by S.B. 452. I request the Committee favorably consider this legislation.

February 15, 1996

Members of the Senate Committee
on Elections, Congressional and Legislative
Proportionment and Governmental Standards

I appear before you as Chairman of the State Task Force on Campaign Finance, Lobbying and Ethics Reform for the United We Stand of America of Kansas organization.

I am appearing here in favor of Senate H.B. 452. United We Stand is a public interest organization that has as its Number One priority, both at the State level in Kansas and the National level, campaign finance, lobbying and ethics reform.

It only makes good sense from a good government stand point that entities that are regulated by a State officer should be prohibited from making campaign contributions, directly or indirectly to said state officer.

This helps also in eliminating public distrust of public officials when such a situation is allowed to exist.

We commend the Senators that have sponsored this bill towards good government and additionally being requested by the Commissioner of Insurance to speak on an affirmative basis for said bill.

Respectfully Submitted,

James R. Shetlar
Chairman, UWSA of Kansas
State Chairman, Task Force of Campaign
Finance, Lobbying and Ethics Reform

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ATTACHMENT 3



**The Security Benefit
Group of Companies**

Security Benefit Life Insurance Company
Security Benefit Group, Inc.
Security Distributors, Inc.
Security Management Company

700 SW Harrison St.
Topeka, Kansas 66636-0001
(913) 295-3000

To: Members of Senate Committee on Elections, Congressional and Legislative Apportionment and Governmental Standards

Re: S.B. 452

From: Tad M. Kramar, Assistant Vice President and Assistant Counsel

Date: February 15, 1996

Dear Chairman and Committee Members:

Security Benefit Life Insurance Company is a Kansas domiciled life insurance company located in Topeka with over \$5 billion of assets under management. SBL operates in all 50 states and the District of Columbia and currently employs approximately 550 Kansans at its Home Office here in Topeka. As a life insurance company involved in the sale of life insurance, annuity, mutual fund and retirement products, SBL is regulated by the Kansas Insurance Department.

Security Benefit supports S.B. 452. Our Company is committed to the concept of firm, but fair, regulation of the insurance business. We are of the opinion, though, that fair regulation is based on the concept that neither the regulator nor the regulatee is beholden to the other. When a regulated insurance company is a financial contributor to the campaign of the insurance commissioner, the perception of fairness, if not the reality itself, especially to the consumer of insurance products, is easily compromised and undermined. We feel that every Kansas insurance consumer deserves a fair and independent analysis of any problem which he or she submits to the insurance commissioner's office, unfettered by any political contribution that an insurance company may have made. I'm not suggesting that the commissioner could never be totally objective in such a situation, but if the department's decision comes out against the consumer, I would suggest that the consumer will feel shortchanged.

The current system greatly favors the incumbent commissioner. When the commissioner can start fundraising at the beginning of a four-year term, any company which will be regulated by the commissioner over the ensuing period will feel compelled to make contributions to his or her campaign, even if the company feels that such person may not be best suited for the position. The financial leverage this gives to the incumbent is significant--and unfair. While it may be naive to assume that there will ever be financial equity between candidates for elective office; we think it's just as naive to assume that this committee won't try to inject a greater element of equity into a system which elects a commissioner who regulates products owned by nearly every household in this state.

We urge you to vote in favor of S.B. 452.

Testimony on SB 452

Senate Elections, Congressional and Legislative Apportionment and Governmental Standards Committee
Patrick J. Morris, Executive Vice President
Kansas Association of Insurance Agent

Thank you, Madam Chair, and members of the committee for the opportunity to appear today in opposition to SB 452. I represent the Kansas Association of Insurance Agents, an association that represents approximately 643 independent agency members and over 3,200 licensed independent insurance agents across Kansas. I noted in preparing for today's testimony that my predecessor - Larry Magill - testified against this bill last March when it was heard by the House Governmental Organization and Elections Committee as House Bill 2021. We are, as we were last year, opposed to the proposed legislation for a number of reasons.

First, the definition of a "regulated entity" in Section 1 (a) (2) covers all of our members, as well as anyone associated with any portion of the insurance business - yet excludes other groups who have an interest in the election of an insurance commissioner.

There are many interest groups, not just insurance agents or insurance companies, that also an interest in the election of an insurance commissioner which are not mentioned in the legislation. Attorneys, associations that sponsor pools, associations that own insurance companies, health care provider groups, and labor unions concerned about workers compensation issues are just a sampling of the other interest groups with a significant interest in the insurance commissioner's office. If the intention of the legislation is to exclude all regulated groups from the political process, should not all attorneys, labor unions, associations and their members who are regulated through pooling statutes or insurance company laws and regulations also be included?

The same reasoning behind this proposal could be used to preclude insurance agents from contributing to legislators or to a candidate for Governor - as the legislature and the Governor's office can have a dramatic impact on our business, and even put us out of business. Additionally, concerning this proposal, a state that elects its insurance commissioner is not that much different than a state that appoints one. In an appointed insurance commissioner state, agents will be more

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involved in the Governor's race to have some input into the selection of a qualified commissioner. Should those states prohibit agent contributions to the Governor's race? Should attorneys be prohibited from contributing to the attorney general's race? While we recognize that the attorney general's office does not license and regulate attorneys, attorneys are involved on each side of an Attorney General's opinion and their relationship to the attorney general's office could conceivably influence the resulting opinion.

Secondly, we question whether an individual prohibition is constitutional.

This legislation seems to infringe on our right to participate in the political process, to petition government and to free speech. Article 2 of the Kansas Constitution's Bill of Rights states in part that, "All political power is inherent in the people, and all free governments are founded on their authority, and are instituted for their equal protection and benefit." We feel that people involved in or employed by the insurance industry have a right to be involved as citizens in the political process, and that includes becoming actively involved in determining who is elected commissioner if they so choose.

One of the challenges facing a state the size of Kansas is to maintain an open, competitive market for the various types of insurance which will provide the most options to buyers at the lowest cost. As independent small businessmen and women, our members are free to represent as many insurance companies as they need and can attract to provide their clients with the best coverage at the best price. Our members represent consumers and want an Insurance Commissioner that will be a strong consumer advocate while maintaining a healthy industry.

We are not here petitioning the Committee for special treatment. We are looking for the same rights to the political process as other citizens - the opportunity to be active participants in the political process and the elections that directly affect our members' livelihood and their clients' well being. We urge the committee to not report SB 452 favorably for passage. Thank you.

Ron Thornburgh
Secretary of State



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STATE OF KANSAS

Senate Committee on Elections, Congressional and Legislative Apportionment and Governmental Standards

Testimony on SB 544

Brad Bryant, Deputy Assistant Secretary of State
Elections and Legislative Matters

February 15, 1996

Madam Chair and Members of the Committee:

Thank you for the opportunity to testify in support of SB 544. This bill was requested by our office to improve the system whereby precinct election board workers are appointed by county election officers.

The bill would allow a county election officer to appoint persons who are sixteen and seventeen years old to serve as election board workers on election day provided the appointees meet other requirements to be qualified electors. These board workers could not comprise more than half of any given election board.

There are three reasons we recommend passage of this legislation.

1. It will help ease the shortage of election board workers. In some counties it is difficult for the county election officer to find enough good election board workers to fill their precinct boards. This legislation would expand the pool of good, trainable workers.

2. It will foster civic education and political participation among young people. This concept goes hand in hand with mock elections such as Kids Voting and other programs administered by educators and civic groups during election years. In places where this idea has been tested there was a clear and positive educational value gained from the experience.

3. It could save some money in certain counties. Election board workers are allowed by law to decline to be paid. If teenage board workers served through a system where they received school credit for their service, their

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salaries could be saved by the county. The rate of pay for board workers is typically \$5.00 to \$5.50 per hour for a twelve to fourteen hour day.

Part of the board worker recruitment process that should be considered along with this bill is the political party affiliation of the board workers. The law directs county party chairpersons to submit lists of party members to the county election officer for appointment to the precinct boards. Not more than half of any board may be of the same party. However, this provision in K.S.A. 25-2802 does not apply if the chairs do not submit names or if the designated persons refuse to serve.

The provisions of SB 544 would be helpful if the county election officer had difficulty finding enough qualified board workers through the usual means. Our discussions with county election officers indicate that they have found high school upperclassmen to be motivated, easy to train, and easily adaptable to changing situations.

Some other states, including Missouri and Hawaii, have had success using teenage board workers. We believe it could be an enhancement to the Kansas system of election board worker recruitment, and we recommend this committee report the bill favorably for passage.

Thank you.