

Approved: Feb. 2, 1998  
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Don Steffes at 9:00 a.m. on January 28, 1998 in Room 529-S of the Capitol.

All members were present except:

Committee staff present: Dr. William Wolff, Legislative Research Department  
Fred Carman, Revisor of Statutes  
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Jerel Wright, Administrator of Credit Unions  
Tom Wilder, Kansas Insurance Department

Others attending: See attached list

Senator Biggs moved that legislation be introduced which would limit finance charges of pawnshops and give the Consumer Credit Commissioner more oversight of this industry. Motion was seconded by Senator Becker. Motion carried.

**Confirmation hearing of Jerel Wright for Administrator of the Kansas Department of Credit Unions, expiration date November 30, 2001**

Mr. Wright reviewed his twenty year work history in the credit union industry and credentials which would qualify him for the position of Administrator of the regulatory agency for credit unions (Attachment 1). The Committee requested a position paper on the size, location, and membership of the credit unions in Kansas which will be under the jurisdiction of the Administrator.

Senator Feleciano moved that Mr. Wright be recommended for confirmation by the Senate for the position of Administrator of the Kansas Department of Credit Unions. Motion was seconded by Senator Praeger. Motion carried.

**Hearing on SB 494--Clarifying function of insurance department service regulation fund**

Tom Wilder, Kansas Insurance Department, explained this bill as repealing the "second assessment" which is a form of dual taxation for insurance companies doing business in the state (Attachment 2). He explained the limited funding process of the department from the state general fund and the second assessment which is charged to the insurance companies in order to fulfill the budgetary requirements. This amount varies from year to year and it is difficult for the insurance companies to budget due to the fluctuation. It was pointed out that businesses do not handle budgeting in this way. This assessment also results in retaliatory taxes charged by other states against Kansas domestic insurers since Kansas charges this second assessment on foreign companies doing business in Kansas. The two suggested amendments are found on Page 2 Line 40 which is to strike "to reduce future assessments", strike all subsection e beginning on Line 42.

Mr. Wilder suggested that the effective date of this legislation might be delayed until tax year 1999 in order to phase in the impact on the state general fund since there has been a decrease in privilege tax collections. Ways and Means may be involved in this decision. The Kansas Insurance Department will furnish a breakdown of fees generated through agent licensure, registration, etc. How other states are funding their insurance departments will be investigated by the department also. The option of billing on the front end of the fiscal year rather than making up the deficit by billing insurance companies doing business in Kansas was also discussed. The second assessment system may be a deterrent to the growth of the insurance industry in Kansas. There will be no fiscal impact regarding this legislation until actuaries are hired by the department.

The meeting adjourned at 10:00 a.m. The next meeting is scheduled for January 29, 1998.



# SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: \_\_\_\_\_

NAME	REPRESENTING
Wayne Warfel	Wichita Municipal Fed Credit Union
Stacy Montgomery	KS Blue Cross Blue Shield CU
Stephanie McNair	KS Credit Union Association
Susan Schmeyer	KCUA
John Radabaugh	KCUA
BILL HAUBER	KANSAS STATE CREDIT UNION COUNCIL
KENT GLEASON	KANSAS CORPORATE CREDIT UNION
Susan Anderson	Heim + Weir
Callie Jill Denton	KS Association of Health Plans
Teresa Stenauer	State Farm
Steven Bogart	Wyandotte Credit Union KCK
GARTH STRAND	Hutchinson Credit Union
Ron Revelle	KS Blue Cross Blue Shield C.U.
VICTOR C DEAUVER	GOLDEN PLAINS CREDIT UNION
MYRNA PESER	CHISHOLM TRAIL FCU
Delitha Martens	Bill C.U.
GAIL KASSON	Ks. Dept. of Credit Union's
Jack Hohman	KS Dept of Credit Union's
Shelley Selzer	Kansas Corporate Credit Union

**Senate Confirmation Information Summary**  
*Prepared and Submitted by the Office of Governor Bill Graves*

Appointee: Jerel L. Wright

Position: Administrator, Kansas Department of Credit Unions

Appointment Date: <sup>Upon confirmation</sup> by Senate Expiration Date: 11/30/01 Term Length: 4 years

Statutory Authority: KSA 17-2233

- ⇒ Statutory geographic representation requirements (*indicate any that apply*):
- Congressional District: \_\_\_\_\_
  - County: \_\_\_\_\_
  - Size requirement (*if any*): \_\_\_\_\_
  - Other, specify: \_\_\_\_\_

⇒ Statutory party affiliation requirement: No more than \_\_\_\_\_ members from the same political party.

⇒ Statutory industry or occupation requirements: Three years actual, practical  
experience in the operation and management of a credit union

Salary: \$55,000 annually Predecessor: John Smith

**Board Composition Prior to Confirmation of New Appointee:**

*(SEE ATTACHED LIST)*

*Senate F.D.D*  
*Attachment 1*  
*January 28, 1998*

prescribed qualifications for membership on the council. The council may adopt such rules and regulations governing the compilation of such list as may be necessary. Vacancies on the council shall be filled for the unexpired term by appointment by the governor. No person shall serve more than two consecutive terms as a member of the council. No more than four members of the council shall be from the same political party.

(b) The terms of members who are serving on the council on the effective date of this act shall expire on March 15, of the year in which such member's term would have expired under the provisions of this section prior to amendment by this act. Thereafter, members shall be appointed for terms of three years and until their successors are appointed and qualified.

(c) Council meetings shall be on call of a majority of the council or the chairperson. The council shall hold one regular meeting during each quarter of the year, upon such dates and at such places as designated by the council, and may hold such other meetings as the council considers necessary. The majority of the council shall constitute a quorum for doing business. The council may adopt such rules as advisable for conducting business and, until otherwise changed or modified, the council shall abide by Robert's rules of order in conducting business.

(d) The council shall serve as an advisor to the administrator on issues and needs of credit unions.

**History:** L. 1968, ch. 160, § 18; L. 1978, ch. 308, § 45; L. 1981, ch. 299, § 45; L. 1982, ch. 347, § 11; L. 1992, ch. 225, § 15; L. 1993, ch. 26, § 3; L. 1995, ch. 241, § 2; July 1.

**Revisor's Note:**

Section was amended twice in 1992 session, see also 17-2232a.

**Law Review and Bar Journal References:**

"The Consumer Class Action," Arthur H. Travers, Jr. and Jonathan M. Landers, 18 K.L.R. 811, 813 (1970).

**17-2232a.**

**History:** L. 1968, ch. 160, § 18; L. 1978, ch. 308, § 45; L. 1981, ch. 299, § 45; L. 1982, ch. 347, § 11; L. 1992, ch. 262, § 2; Repealed, L. 1993, ch. 26, § 4; July 1.

**17-2233. Credit union administrator; appointment, duties, salary, expenses and term.** The credit union administrator shall be appointed by the governor, subject to confirmation by the senate as provided in K.S.A. 75-4315b, and

amendments thereto, and shall be a person with at least three years' actual, practical experience in the operation and management of a credit union. The administrator shall not be a member of the council. The governor shall fix the compensation of the administrator. In addition, the administrator shall be entitled to receive the actual and necessary expenses incurred in the performance of the administrator's duties. The administrator shall be in the unclassified service under the Kansas civil service act. The administrator shall be appointed for a term of four years. The administrator shall attend the meetings of the council and shall have the general charge of the work of the council and the general supervision of credit unions. The administrator shall keep a permanent record of all meetings and proceedings of the council at the office of the administrator.

**History:** L. 1968, ch. 160, § 19; L. 1978, ch. 308, § 46; L. 1980, ch. 250, § 1; L. 1981, ch. 299, § 46; L. 1982, ch. 347, § 12; L. 1992, ch. 225, § 16; July 1.

**Attorney General's Opinions:**

Kansas state department of credit unions; administrator; eligibility for office. 79-306.

**17-2234. Department of credit unions; supervision; employees; attorney; security background check.** (a) There is hereby established the state department of credit unions, which shall be under the administrative supervision of the administrator as directed by law. The administrator may appoint or employ an attorney to assist the department in its functions under this act, and in accordance with the civil service law, such special assistants, deputies or examiners, and other employees, as may be necessary for the purpose of administering and enforcing the provisions of this act.

(b) Each special assistant, deputy, examiner and other such employees as may be necessary for the purpose of administering and enforcing the provisions of this act shall submit to a security background check prior to being employed in such position. Upon the commencement of the interview process, every candidate shall be given a written notice that a security background check is required. The security background check shall be limited to criminal history record information as provided by K.S.A. 22-4701 et seq., and amendments thereto. If the criminal history record information reveals any conviction of dishonesty, such conviction may be used to disqualify



**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: Senate Insurance Committee

From: Tom Wilder

Re: Senate Bill 494 (Service Regulation Fee Fund)

Date: January 28, 1998

Senate Bill 494 repeals the "second assessment" paid by insurance companies to help fund the operations of the Kansas Insurance Department. The bill was recommended by the Insurance Task Force chaired by Senator Steffes which met last year.

Each year the insurance industry pays between \$80 and \$90 million in premium taxes. Most of these funds are paid into the State General Fund. Under current law, \$4.8 million of the premium taxes collected each year are used to fund the Insurance Department budget. If the Legislature approves a budget for our agency which is over the \$4.8 million statutory amount, the insurance companies which do business in this state are assessed an additional fee to fund the excess amount. For Fiscal Year 1999 (which starts July 1, 1998) this second assessment is estimated to be approximately \$850,000.

This funding method results in double taxation of insurance carriers to fund the budget of the Insurance Department. The second assessment is an administrative burden on insurers and also on the Department to process the tax applications. The assessment also results in retaliatory taxes charged by other states against Kansas domestic insurers since Kansas charges this second assessment on foreign companies doing business in this state.

One issue which this Committee may want to consider is the effective date of the legislation. As written, the change would be effective with tax year 1999 and the

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*Senate I.D.s D*  
*Attachment 2*  
☎ Consumer Assistance Hotline  
1 800 432-2484 (Toll Free)

*January 28, 1998*

Committee may wish to extend out the effective date or phase in the change to lessen the impact on the State General Fund which will be an annual revenue reduction of approximately \$800,000 to \$1.0 million.

I would ask for your favorable approval for Senate Bill 494.