

Approved: April 1, 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 March 24, 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: David Brant, Securities Commissioner  
Jerel Wright, Administrator of Credit Unions  
Chuck Stones, Kansas Bankers Association  
Sonja Allen, Office of State Bank Commissioner  
Mike Astell, Community Bankers Association  
Matt Goddard, Heartland Savings & Loan

Others attending: See attached list

Senator Becker moved that the minutes of the March 4, 5, 10, 12, 17, and 18 meetings be approved as presented. Motion was seconded by Senator Praeger. Motion carried.

Chairman Steffes announced he would be writing a letter to the President of the Senate on behalf of the Committee requesting an interim study on all the proposed health insurance mandates which have been presented this legislative session.

At the request of Chairman Steffes, Dr. Wolff presented an overview of the current status of the financial regulatory agencies of the states and provinces. The Conference of State Bank Supervisors located in Washington, D.C. chart state chartered banks and keep track of every state law pertaining to the banking industry. At the state level there are 40 offices that regulate state banks either by appointment by the governor or through some other agency. Only Florida has an elected bank commissioner. Twenty-six states have independent bank regulatory divisions, thirteen have bank supervisors in other divisions, and thirty states have banking boards with twelve acting in an advisory capacity, sixteen involved in policy making, and one acting as an appellate board.

Kansas is in the mainstream of banking authority with an appointed commissioner and banking board. In his review, Dr. Wolff stated that consolidation within the financial regulatory agencies helps in efficiency and thoroughness of their regulatory functions. He reviewed results of past interim committees who have studied the issue of the structure of financial regulatory departments since 1979.

**1979**

464 state chartered banks  
53 savings and loans  
190 credit unions  
369 finance companies  
18 investment certificate companies  
5,711 retail companies under consumer credit  
commissioner

**1993**

351 state chartered banks  
2 savings and loans  
135 credit unions  
0 investment certificate companies  
5,557 retail credit grantors  
291 licensed savings lenders

In 1998 there are 290 state chartered banks. Dr. Wolff commented that with all the vast changes in the banking industry since 1979, revisiting the oversight capacities of the various agencies might prove very informative.

## CONTINUATION SHEET

MINUTES OF THE Senate Committee on Financial Institutions & Insurance, Room 529-S Statehouse, on March 24, 1998.

David Brant, Securities Commissioner, informed the Committee of proposed HR 10 - Financial Modernization Act which would allow banks to handle securities. It is hoped this would increase cooperation between regulatory agencies with the goal being consumer protection. It will be necessary for securities auditors to work with bank regulators thus the development of cross-training would be helpful for banking and securities personnel. With the year 2000 approaching, it may be an appropriate time to make changes in data bases in order to share information in consumer protection areas. Securities personnel may eventually be involved in selling insurance also. HR 10 would mean more federal oversight. Uniformity from state to state is difficult at this time.

Jerel Wright, Credit Union Administrator, reported that it had been twenty years since their agency's regulatory functions had been reviewed. He too expressed interest in the cross-training of examiners and reiterated the need for consumer protection.

Sonja Allen, Office of State Bank Commissioner, said they had worked closed with consumer credit since 1995 due to mortgage banking. Third party mortgage bankers are now allowed to co-mingle funds as no state law addresses this issue. The financial delivery system will be unrecognizable in ten years. In Kansas, \$47 billion is invested in mutual funds while the banking industry has a \$30 billion investment.

Chuck Stones, Kansas Bankers Association, stated they had no objection to the study. Maintenance and the continued vitality of the industry would be in the best interest of the consumer. Mr. Stones indicated they would like to be involved in the study of the regulatory agencies.

Mike Astelle, Community Bankers Association, stated they had no objection to the review and study of the regulatory agencies of the financial industry in Kansas.

Matt Goddard, representing Heartland Savings and Loan, informed the Committee of the difference in the Nebraska and Colorado regulatory agencies. Both of these states have all financial regulatory agencies under one umbrella. Public Health and Welfare in Colorado has licensure agencies all under one umbrella in health professions. This appears to remove the turf battles in regulatory boards. Committee members were interested in studying this format in different committees simultaneously.

Recommendations for inclusion in a proposed interim included:

1. Study of fair payment of taxes for all industries involved.
2. Narrow focus of purpose of regulatory agencies
3. Ease of doing business in Kansas (regulatory agencies) compared to other states

Chairman Steffes suggested requesting a Governor's Task Force for such a study rather than an interim because non-legislative personnel could be appointed: consumers, academics, and legislative. Some Committee members were hesitant to request the Task Force but felt it would be more prudent to suggest this when it was not an election year and there does not appear to be a crisis situation which should be investigated. Chairman Steffes said it was difficult to look at the big picture during the legislative session and recommended that this issue be addressed during the interim.

The meeting was adjourned at 10:00 a.m. No future meetings are scheduled for the year.

# SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 3/24/98

NAME	REPRESENTING
Gaile Kasson	Dept. of Credit Unions
DAVID BRANT	SECURITIES COMMISSIONER
Terrel Wright	Dept of Credit Unions
Sonyia Allen	Office of State Bank Commissioner
Greg Winkler	KS Credit Union Assn.
Steve Montgomery	KAIA
Erik Sartorius	Pete McGill + Assoc
Karen France	Ks. Assoc. of REALTORS
Greg Hill	Federico Consulting
Lee Wright	Farmers Ins. Group
Kathy Olsen	KBA
Patricia Cole	Patricia Sen. Spoor
Susan Anderson	Heim + Weis
Tom Wilder	Kansas Insurance Dept.
Callie Hill Denton	KAPP
Chuck Stones	KBA
Annie Spiess	Peterson - Public Affairs Group