

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 9:30 a.m. on March 8, 2001 in Room 234-N of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department  
Ken Wilke, Office of the Revisor of Statutes  
JoAnn Bunten, Committee Secretary

Conferees appearing before the committee:

Senator Lynn Jenkins  
Scott Miller, Senior Investment Officer, Pooled Money Investment Board  
Kevin Glendening, Deputy Commissioner, State Bank Commissioner's Office

Others attending: See attached list.

**Discussion and Action on SB 151 - State employee health plan; relating to children of participants**

The Chair noted that **SB 151** was referred back to Committee to be reconsidered and further amended. Senator Jenkins briefed the Committee on a balloon of the bill showing an amendment that would provide funding for the pilot program from the Sunflower Foundation or a similar source. ([Attachment 1](#))

After Committee discussion, Senator Barnett made a motion the Committee reconsider its action and adopt the amendment as shown in the balloon of the bill, and that **SB 151 as amended** be recommended favorable for passage, seconded by Senator Steineger. The motion carried.

**Hearing on HB 2169 - Investment of state money, securities pledged**

Scott Miller, Senior Investment Officer, Pooled Money Investment Board, testified before the Committee in support of **HB 2169** which would require state agencies to ensure that banks pledge sufficient collateral to secure deposits in the agency's bank accounts rather than the PMIB. Mr. Miller noted that the bill would not require any additional personnel nor would it impact PMIB's operating expenses. It is expected that the fiscal impact on agencies with bank accounts would be minimal because confirming the level of securities pledged by the bank could be accomplished along with other activities required to monitor the accounts on a daily basis. ([Attachment 2](#))

There were no opponents to the bill.

After Committee discussion on rates and the effective date of the bill, Senator Feleciano made a motion that the effective date be changed to "Kansas register", and that the Committee recommend **HB 2169 as amended** favorable for passage, seconded by Senator Teichman. The motion carried.

**Hearing on HB 2193 - Payday loans; limitation on number of loans to same borrowers**

Kevin Glendening, Deputy Commissioner, State Bank Commissioner's Office, testified in support of **HB 2193** which would prohibit a payday lender and related interests from having outstanding to any borrower more than two loans at any one time. ([Attachment 3](#))

Written testimony in support of the bill was also received from Whitney Damron on behalf of the Kansas Payday Loan Association. ([Attachment 4](#))

There were no opponents to the bill.

Senator Feleciano made a motion the Committee recommend **HB 2193** favorable for passage, seconded by Senator Teichman. The motion carried.

CONTINUATION SHEET

**Discussion and Action on SB 193 - Insurance; exemption from errors and omissions coverage**

During Committee discussion the Chair noted that the bill was requested by the Kansas Association of Funeral Directors. Some members of the Committee expressed concern that passage of this bill would set a precedent and the inevitable pressure on the legislature to exempt others. Other members of the Committee supported the bill and expressed concern with the small town funeral home that sells only a few policies a year and have high minimum premiums.

Senator Brungardt made a motion that the Committee recommend SB 193 favorable for passage, seconded by Senator Barnett. The motion carried.

**Adjournment**

The meeting was adjourned at 10:00 a.m. The next meeting of the Committee is scheduled for March 13, 2001.

SENATE FINANCIAL INSTITUTIONS & INSURANCE  
COMMITTEE GUEST LIST

DATE: 3-8-01

NAME	REPRESENTING
Marla Goodrich	PMIB
Scott Miller	PMIB
Jeremy Anderson	KS Ins Dept
<i>Robert Esch</i>	<i>Federal Reserve</i>
<i>Robert Esch</i>	<i>Bank Comm. off.</i>
<i>Franklin</i>	" "
George Barber	OSBC
Matt Goddard	CBA - KAFS
James DeCunzio	HCBA
Bill Sneed	KS Ins Dept
Ramie Ann Pover	KFDA
Chuck Stokes	KAHP
Roger Franzke	KBA
Harvey Bossi	RFC
Whitney Damm	Dept of Admin
LARRY MAGILL	FS Payday Loan Assn.
Anne Spiess	KAIA

SENATE BILL No. 151

By Committee on Financial Institutions and Insurance

1-29

10 AN ACT concerning the state employees benefit program; relating to  
11 children of participants; relating to the payment of certain costs.

12  
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. (a) Commencing in plan year 2002, *within the limits of*  
15 *appropriations thereof, the Kansas state employees health care com-*  
16 *mission shall establish a pilot program which provides that if a par-*  
17 *ent an active employee of the state of Kansas is enrolled in a health*  
18 *care benefits plan administered by the Kansas state employees health care*  
19 *commission, pursuant to K.S.A. 75-6501 et seq., and amendments thereto,*  
20 *the commission shall provide that 100% a percentage determined by*  
21 *the commission, within the limits of appropriations for the pilot*  
22 *program, of the cost to cover an eligible child or children shall be paid*  
23 *as an employer contribution for the participation of any eligible child or*  
24 *children in the state health benefits program. Expenditures for such*  
25 *pilot program shall not be less than \$100,000. Such pilot program*  
26 *if funded by the legislature shall continue in effect subsequent to*  
27 *the first year of funding.*

28 (b) As used in this section, "eligible child" means any child *who is*  
29 *an eligible dependent pursuant to K.A.R. 108-1-1 and* who is other-  
30 wise eligible for insurance coverage under the insurance plan authorized  
31 by K.S.A. 38-2001 and amendments thereto *and under the guidelines*  
32 *for eligibility developed by the commission within the limits of ap-*  
33 *propriations for the pilot program* but is not eligible solely because  
34 the child is a member of a family that is eligible for health benefits cov-  
35 erage under a state health benefits plan administered by the Kansas state  
36 employees health care commission.

37 (c) *The Kansas state employees health care commission shall*  
38 *report its findings and any recommendations which the commission*  
39 *may have concerning the pilot program established under this sec-*  
40 *tion to the governor and to the legislature annually.*

41 Sec. 2. This act shall take effect and be in force from and after its  
42 publication in the statute book.

(d) The secretary of administration is hereby authorized to receive grants, gifts or donations from the United states government, or its agencies, the Sunflower Foundation: Healthcare for Kansas, or any other source whatsoever for the purposes of the pilot program established under this section and amendments thereto, and any moneys so received shall be deposited in the state treasury and credited to the cafeteria benefits fund established by K.S.A. 75-6513 and amendments thereto. All funds received pursuant to this section shall be placed in a separate account within the cafeteria benefits fund. All expenditures made from such fund for the purposes of this section shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued by the secretary of administration or a person designated by the secretary of administration.

Senate Financial Inst. & Insurance  
Date: 3-8-01  
Attachment No. 1





**POOLED MONEY INVESTMENT BOARD**

Landon State Office Building  
900 S. W. Jackson Street  
Suite 209  
Topeka, KS 66612-1220

DIRECTOR OF INVESTMENTS  
Derl S. Treff

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Fax (785) 296-1085  
<http://www.ink.org/public/pmib/>

**TESTIMONY ON HB 2169**

by  
Scott Miller  
Senior Investment Officer  
Pooled Money Investment Board  
March 8, 2001

The Honorable Sandy Praeger, Chair  
Senate Committee on Financial Institutions & Insurance  
Statehouse, Room 234-N  
Topeka, Kansas 66612

Senator Praeger and Committee Members:

X This bill proposes the amendment of two statutes. First, K.S.A. 75-4221 to be amended to require state agencies to ensure that banks pledge sufficient collateral to secure deposits in the agency's bank accounts rather than the Pooled Money Investment Board. The agencies work with their banks on a daily basis and are in a much better position to ensure that adequate securities have been pledged. The PMIB receives only a monthly statement, which is not on a timely enough basis to track balances that fluctuate throughout the month.

X We also request that K.S.A. 75-4237 be amended to replace the word "bid" with the word "request", relative to Kansas banks seeking to obtain investments of state moneys. Practically speaking, regardless of the rate "bid" by the banks the rate paid on the deposit is determined by the market rate set by the PMIB, which is already established in Section 2.b of K.S.A. 75-4237.

Adoption of these amendments would not require any additional personnel nor would it impact PMIB's operating expenses. It is expected that the fiscal impact on agencies with bank accounts would be minimal because confirming the level of securities pledged by the bank could be accomplished along with other activities required to monitor the accounts on a daily basis.

Senate Financial Inst. & Insurance  
Date: 3-8-01  
Attachment No. 2

BILL GRAVES  
GOVERNOR



Franklin W. Nelson  
Bank Commissioner

Sonya L. Allen  
General Counsel

Judi M. Stork  
Deputy Bank Commissioner

Kevin C. Glendening  
Deputy Commissioner  
Consumer and Mortgage

OFFICE OF THE  
STATE BANK COMMISSIONER

**SENATE COMMITTEE – FINANCIAL INSTITUTIONS AND INSURANCE**

March 8, 2001

**Testimony - HB 2193**

Kevin Glendening, Deputy Commissioner

Madam Chair and Members of the Committee:

Under the Uniform Consumer Credit Code (16a-3-304) a lender may not use multiple loan agreements in order to increase the finance charges paid by a borrower. Our experiences in examining payday lending operations have shown that violations of this provision are a problem among some lenders. As an example, a consumer wants to borrow \$400, but rather than making one loan for the full amount and collecting a fee of \$29, the lender will instead make four \$100 loans and collect \$60 in fees. The loans may be made on the same day or over a period of several days. While on an individual basis the amounts may be small, a lender who systematically engages in this activity can profit considerably. In one case this past year, our examination revealed that over an approximate three month period one lender made multiple agreements with 145 borrowers which ultimately resulted in required refunds of \$10,000. In that case, the lender was also fined an additional \$10,000 for the violations. In other cases employees of some lenders, when questioned by our examiners, have said they were instructed to divide a consumer's loan request into \$100 incremental loans, or to advance the consumer the requested funds in separate loans over several days. Illegal multiple loans arranged in this fashion are the most difficult to prove.

HB 2193 would serve two purposes. First by establishing a limit on the number of loans a payday lender could have outstanding to a consumer at any given time, the potential for that lender to increase fees by advancing funds through separate loans over several days would be restricted. Second, the disclosure notice will hopefully raise the awareness of consumers regarding multiple loan practices, and perhaps improve their selection of a payday lender.

Senate Financial Inst. & Insurance

Date: 3-8-01

Attachment No. 3

Finally, I should note that I am offering this amendment because I believe it would facilitate our enforcement of existing law regarding multiple loans, and probably represents the most conservative approach to addressing this problem.

Thank you Madam Chair, I will be happy to answer any questions of the committee.





HB 2193 – Payday Loan Legislation  
Senate Committee on Financial Institutions and Insurance  
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Following Mr. Glendening's call, I had the opportunity to visit with the officers of the Kansas Payday Loan Association and get their thoughts on this legislation prior to its introduction. All three officers thought the practice was currently prohibited and, if not, should be. We therefore informed the Department that we would support their bill.

In regards to the bill, the Kansas Payday Loan Association is not opposed to the notice provisions contained in HB 2193. Furthermore, the ultimate intent of the bill is to prohibit loan splitting and we are supportive of that provision as well.

I closing, I would note that many states have gone to a flat rate fee for all transactions, which would generally reduce the incentive for loan splitting and make enforcement simpler (i.e. \$12.00 per hundred dollars loaned, rather than a formula). If the Committee or the Department would like to one day move in this direction, we would be pleased to make some recommendations in this regard. Otherwise, we are pleased to stand with the office of the State Bank Commissioner today and support HB 2193.

Thank you.