

Approved: 3-29-06
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on March 2, 2006 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department
Norm Furse, Office of Revisor of Statutes
Renaë Jefferies, Office of Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee:

Sherry C. Diel, Executive Director, Kansas Real Estate Commission
Bill Yanek, Kansas Association of Realtors
Phillip Hayes, The Arnold Group, Wichita
Mary Faulkner, Prairie State Bank, HRM
Roberta Johnson, Legal Counsel, Via Christi
Marilyn Jacobson, Department of Administration
Rich McKee, Kansas Self-Insurers Association (KSIA)

Others attending:

See attached list.

The Chairman stated the Minutes of February 8, 9, 10, 13, 14, 15, 16, 17, 20, 21 and 22 were distributed.

Representative Grant moved and Representative Ruiz seconded without objections the Minutes be accepted. The motion carried.

The Chairman opened the hearing on **SB 271 - Real Estate brokers and salespersons; fees.**

Staff gave a briefing on **SB 271**. The bill was introduced during the 2005 Session. As introduced, the bill would have increased the cap on the eight statutory fees charged by the agency. However, the Senate Committee on Ways and Means amended the bill to delete the language that would have increased the fees. There were technical amendments approved by the Senate Ways and Means Committee and the Senate Committee of the Whole.

Sherry C. Diel, Executive Director, Kansas Real Estate Commission, spoke as a proponent to **SB 271**. The original bill, as introduced, provided for a general fee increase as well as the establishment of five new fees for the Real Estate Commission. The fees had been at the statutory cap since 1998. In FY 05, \$508,000 was transferred from the commission's fee fund to the State General Fund. The Commission was concerned that the transfer would rapidly place the fee fund in a precarious position and the Commission would not be able to react because fees were at the statutory cap. However, because of the record breaking housing market over the past few years, the Commission's applications have increased, and the fee fund did not decrease as expected. Because the Governor did not recommend a fee fund increase, the Commission requested that the Senate Ways and Means Committee amend the bill to return the fees to the existing statutory cap. The only fees that remain in the bill are the five new fees concerning work that staff performs but no authority exists to charge a fee (Attachment 1).

Bill Yanek, Kansas Association of Realtors (KAR), Director of Governmental Relations, testified as a proponent to **SB 271**. KAR does not oppose passage of **SB 271**. KAR is pursuing legislation that would add real estate salespersons and brokers licensed under the Kansas Real Estate Brokers' and Salesperson's License Act to the list of individuals who can access the contents of real estate validation questionnaires. There is no fiscal impact to the State of Kansas (Attachment 2).

The Chairman closed the hearing on **SB 271**.

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on March 2, 2006 in Room 241-N of the Capitol.

The Chairman opened the hearing on **SB 518 - Payment of compensation; payment methods; electronic transfer, electronic deposit, payroll card.**

Staff gave a briefing on **SB 518.**

Phillip M. Hayes, Operations Manager & HR Consultant, The Arnold Group, A Human Resource Company, testified as a proponent to **SB 518** with an amendment. Employers throughout the state are being challenged to do more with less and must develop process improvements to provide quality services and improve their competitive position. Allowing Kansas employers to designate and implement electronic payroll programs would provide businesses an important opportunity to deliver high quality service that their employees deserve, result in more efficient and cost-effective operations, and help employees without traditional bank accounts take advantage of electronic payment benefits. Kansas employers should be provided the option to designate the method of which they pay their respective employees which best fits their business model. Electronic payroll processing is safe, convenient and reliable (Attachment 3).

Mary Faulkner, Vice President & Human Resource Officer, Prairie State Bank, Augusta, and concerned Kansas resident testified as a proponent to **SB 518.** This amendment would allow a business operating in Kansas to make the most effective business decision on pay method, in addition to providing a safe, convenient and timely delivery of an employee's earned wages (Attachment 4).

Roberta R. Johnson, Associate General Counsel, Via Christi Health System, testified as a proponent to **SB 518.** This would amend K.S.A. 44-314 to allow Kansas employers additional flexibility with respect to the management of their payroll processes and payment methods by allowing employers to designate, if they so choose, to exclusively pay employees electronically, by direct deposit or by use of a payroll card, the latter to be provided by the employer if requested by an employee (Attachments 5 & 6).

Marilyn Jacobson, Director of Finance, Kansas Department of Administration, testified as a proponent to **SB 518** with an amendment. This balloon would bring consistency between the statute governing payment methods for state employees with the statute that covers all other employers within the state by striking the language requiring written authorization and linking the requirements in K.S.A. 75-5540 to K.S.A. 44-314 (Attachment 7).

The following proponents written testimony was distributed: Marlee Carpenter, The Kansas Chamber (Attachment 8), Patrick Salmans, Vice President of Human Resources, Sunflower Bank, Salina, KS, (Attachment 9) and Kathy Damron, YMCA's of Kansas (Attachment 10).

The Chairman closed the hearing on **SB 518.**

The Chairman opened the hearing on **SB 515 - Workers Compensation pool; group-funded; surplus funds; adequate surplus funds.**

Staff gave a briefing on **SB 515.**

Rich McKee, Kansas Self Insurers Association (KSIA), testified in support of **SB 515.** **SB 515** addresses the difficulty self insured pools are having obtaining aggregate excess insurance coverage by allowing them to appeal to the Insurance Commissioner to waive that requirement. All self insured pools are required by statute to carry aggregate excess insurance coverage. The public sector pools already have the ability to appeal to the Insurance Commissioner to waive that requirement. No such opportunity is provided for the private sector pools. **SB 515** would correct that disparity (Attachment 11).

The Chairman closed the hearing on **SB 515.**

The meeting adjourned at 10:55 a.m. The next meeting will be March 3, 2006.

COMMERCE AND LABOR COMMITTEE

Date March 2, 2006

NAME	AGENCY
BILL YANEK	Kansas Assn of REALTORS
Shahira Stafford	Kansas Assn. of Realtors
Mary Faulkner	Prairie State Bank & KS SHRM
Scott Heidner	KSIA
Phillip M. Hayes	The Arnold Group & KS SHRM
Dennis Phillips	KSCFF
Ed Redmon	KSCFF
BRIAN MALONE	KTLA
Cindy Kelly	KASB

KANSAS

KANSAS REAL ESTATE COMMISSION
SHERRY C. DIEL, EXECUTIVE DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

Memo To: Chairperson Dahl and Members of House Commerce & Labor Committee
From: Sherry C. Diel, Executive Director
RE: SB 271
Date: March 2, 2006

BACKGROUND

The original bill, as introduced, provided for a general fee increase as well as the establishment of five new fees for the Real Estate Commission. The Commission's fees had been at the statutory cap since 1998. In FY 05, \$508,000 was transferred from the Commission's fee fund to the State General Fund. The Commission was concerned that the transfer would rapidly place the fee fund in a precarious position and the Commission would not be able to react because fees were at the statutory cap. However, because of the record breaking housing market over the past few years, the Commission's applications have increased, and the fee fund did not decrease as expected. Because the Governor did not recommend a fee fund increase, the Commission requested that the Senate Ways and Means Committee amend the bill to return the fees to the existing statutory cap. The only fees that remain in the bill are the five new fees concerning work that staff performs but no authority exists to charge a fee.

EXPLANATION OF FEES AND FISCAL EFFECT

New primary office or branch office: It takes three staff persons to set up a new primary office or branch office. Once the supervising broker's or branch broker's license is issued, the company's demographics must be set up. After the company is set up, all the salespersons and associate brokers that will work for the company are transferred into the company. Another staff person checks the licenses that are printed against the batch report. A third staff member checks the demographics for accuracy.

	<u>Statutory Cap--\$100</u>	<u>Regulation--\$25-50</u>
Approx. 180 primary offices/yr	\$18,000	\$4,500-9,000
Approx. 48 branch offices/yr	\$ 4,800	\$1,200-2,400

Certification of education history: Some states require a complete history of the pre-license, post-license and continuing education courses taken by a licensee when a licensee applies for a license in another state.

	<u>Statutory Cap--\$25</u>	<u>Regulation--\$10</u>
Approx. 12 per year	\$300	\$120

Certification of licensure of a professional corporation: In order to set up a professional corporation, the Secretary of State's Office requires a certification from the Commission that the person is a licensed real estate salesperson or broker.

	<u>Statutory Cap--\$25</u>	<u>Regulation--\$10</u>
Approx. 144 per year	\$3,600	\$1,440

Addition of primary office or branch office: There is no prohibition on the number of offices that a supervising broker or branch broker may have. An associate broker may work for more than one supervising broker if both brokers provide the Commission with evidence of consent to the dual affiliation. A salesperson can only be affiliated with more than one office if the offices are supervised by same supervising or branch broker. The Commission has been using the duplicate license fee for this purpose because the license for each licensee must be on display in each office. The licensee then has a pocket card as evidence of licensure.

	<u>Statutory Cap--\$50</u>	<u>Regulation--\$10-25</u>
Approx. 220 per year	\$11,000	\$2,200-5,500

The bill includes a definition of "primary office" to correlate with the fees. In addition, the term "primary office" is used elsewhere in the Kansas Real Estate Brokers' and Salespersons' License Act, K.S.A. 58-3034 et seq. without specifically being defined.

I would be happy to address your questions regarding the proposed new fees. Thank you for your consideration.



TO: HOUSE COMMERCE AND LABOR COMMITTEE
FROM: BILL YANEK, KAR DIRECTOR OF GOVERNMENTAL RELATIONS
DATE: March 2, 2006
SUBJECT: Senate Bill 271

The Kansas Association of REALTORS® (KAR) consists of more than 10,000 members across the State of Kansas. KAR is Kansas's trade association for real estate agents. The Kansas Real Estate Commission (KREC) regulates the real estate industry in Kansas.

The KREC supported SB 271 provides needed technical changes to Kansas Real Estate Brokers' and Salesperson's License Act. KAR does not oppose passage of SB 271.

During this 2006 Legislative Session, KAR is pursuing legislation that would add real estate salespersons and brokers licensed under the Kansas Real Estate Brokers' and Salesperson's License Act to the list of individuals who can access the contents of real estate validation questionnaires. House Bill 2965 accomplishes this with no fiscal impact to the State of Kansas. Included in my testimony is the Fiscal Note for HB 2965, which according to KREC and the Kansas Real Estate Appraisal Board would have no fiscal effect.

Allowing real estate salespersons and brokers access to the sales validation questionnaire would allow real estate agents and brokers to better serve their clients. The sales validation questionnaire would help agents provide clients with the most accurate market value of property. By limiting this access to real estate licensees, use of this information would be regulated by a state agency. For example, statutory duties of both sellers and buyers agents mandate that licensees must keep client data confidential.

We urge you to pass favorably Senate Bill 271 as amended with the contents of House Bill 2965.



785.267.3610
VOICE

800.366.0069
TOLL FREE

785.267.1867
P1 FAX

3644 SW Burlingame Rd
Topeka, Kansas 66611
www.kansasrealtor.com
Comm Labor
3-2-06
Atch #2

HOUSE BILL No. 2965

By Committee on Federal and State Affairs

2-20

9 AN ACT concerning real estate sales validation questionnaires; amending
10 K.S.A. 2005 Supp. 79-1437f and repealing the existing section.

11

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

13 Section 1. K.S.A. 2005 Supp. 79-1437f is hereby amended to read as
14 follows: 79-1437f. Except as otherwise provided by K.S.A. 79-1460, and
15 amendments thereto, contents of the real estate sales validation ques-
16 tionnaire shall be made available only to the following people for the
17 purposes listed hereafter:

18 (a) County officials for cooperating with and assisting the director of
19 property valuation in developing the information as provided for in K.S.A.
20 79-1487, and amendments thereto;

21 (b) any property owner, or the owner's representative, for prosecut-
22 ing an appeal of the valuation of such owner's property or for determining
23 whether to make such an appeal, but access shall be limited to the con-
24 tents of those questionnaires concerning the same constitutionally pre-
25 scribed subclass of property as that of such owner's property;

26 (c) the county appraiser and appraisers employed by the county for
27 the appraisal of property located within the county;

28 (d) appraisers licensed or certified pursuant to K.S.A. 58-4101 et seq.,
29 and amendments thereto, for appraisal of property and preparation of
30 appraisal reports;

31 (e) financial institutions for conducting appraisals and evaluations as
32 required by federal and state regulators;

33 (f) the county appraiser or the appraiser's designee, hearing officers
34 or panels appointed pursuant to K.S.A. 79-1602 or 79-1611, and amend-
35 ments thereto, and the state board of tax appeals for conducting valuation
36 appeal proceedings;

37 (g) the board of county commissioners for conducting any of the
38 board's statutorily prescribed duties; ~~and~~

39 (h) the director of property valuation for conducting any of the di-
40 rector's statutorily prescribed duties; *and*

41 (i) *a person licensed pursuant to the real estate brokers' and sales-*
42 *persons' act.*

43 Sec. 2. K.S.A. 2005 Supp. 79-1437f is hereby repealed.

1 Sec. 3. This act shall take effect and be in force from and after its
2 publication in the statute book.

February 24, 2006

The Honorable Ray Cox, Chairperson
House Committee on Financial Institutions
Statehouse, Room 431-N
Topeka, Kansas 66612

Dear Representative Cox:

SUBJECT: Fiscal Note for HB 2965 by House Committee on Federal and State
Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2965 is respectfully submitted to your committee.

Current law outlines a list of authorized individuals who can access the contents of real estate sales validation questionnaires. HB 2965 would add real estate salespersons and brokers to the list.

The Kansas Real Estate Commission and the Kansas Real Estate Appraisal Board indicate that passage of HB 2965 would have no fiscal effect.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Sherry Diel, Real Estate Commission
Cheryl Magathan, Real Estate Appraisal Board

Yonk

ONLY FOR USE IN COUNTIES APPROVED TO ACCEPT ONE-PART FORMS (See website address below for approved list)
KANSAS REAL ESTATE SALES VALIDATION QUESTIONNAIRE

FOR COUNTY USE ONLY:		COV# _____	CO. NO. _____	MAP _____	SEC _____	SHEET _____	QTR. _____	BLOCK _____	PARCEL _____	OWN _____
DEED BOOK _____	PAGE _____									
RECORDING DATE ____/____/____	TYPE OF INSTRUMENT _____	SPLIT <input type="checkbox"/> MULTI <input type="checkbox"/>		MO _____	YR _____	TY _____	AMOUNT _____	S _____	V _____	

SELLER (Grantor) NAME _____

BUYER (Grantee) NAME _____

MAILING _____

MAILING _____

CITY/ST/ZIP _____

CITY/ST/ZIP _____

PHONE NO. (____) _____

PHONE NO. (____) _____

IF AGENT SIGNS FORM, BOTH BUYER AND SELLER TELEPHONE NUMBERS MUST BE ENTERED.

BRIEF LEGAL DESCRIPTION

Property / Situs Address: _____
Name and Mailing Address for Tax Statements

CHECK ANY FACTORS THAT APPLY TO THIS SALE

(See Instructions on back of form.)

- SPECIAL FACTORS**
 Sale between immediate family members: SPECIFY THE RELATIONSHIP _____
 Sale involved corporate affiliates belonging to the same parent company
 Auction Sale
 Deed transfer in lieu of foreclosure or repossession
 Sale by judicial order (by a guardian, executor, conservator, administrator, or trustee of an estate)
 Sale involved a government agency or public utility
 Buyer (new owner) is a religious, charitable, or benevolent organization, school or educational association
 Buyer (new owner) is a financial institution, insurance company, pension fund, or mortgage corporation
 Would this sale qualify for one of the exceptions listed on the reverse side of this form? (Please indicate # _____)
 Sale of only a partial interest in the real estate
 Sale involved a trade or exchange of properties
 NONE OF THE ABOVE

- ARE YOU AWARE OF ANY CHANGES IN THE PROPERTY SINCE JAN. 1? YES NO
 Demolition New Construction Remodeling Additions
Date Completed _____
- WERE ANY DELINQUENT TAXES ASSUMED BY THE PURCHASER? YES NO AMOUNT \$ _____
- METHOD OF FINANCING (check all that apply):
 New loan(s) from a Financial Institution
 Seller Financing Assumption of Existing Loan(s)
 All Cash Trade of Property Not Applicable
- WAS THE PROPERTY MADE AVAILABLE TO OTHER POTENTIAL PURCHASERS? YES NO If not, explain _____
- (SEE #9 INSTRUCTION ON BACK)**
- DOES THE BUYER HOLD TITLE TO ANY ADJOINING PROPERTY? YES NO
- ARE THERE ANY FACTS WHICH WOULD CAUSE THIS SALE TO BE A NON-ARMS LENGTH / NON-MARKET VALUE TRANSACTION? **(SEE #11 INSTRUCTION ON BACK)** YES NO

- CHECK USE OF PROPERTY AT THE TIME OF SALE:**
 Single Family Residence Agricultural Land
 Farm/Ranch With Residence Mineral Rights Included?
 Condominium Unit Yes No
 Vacant Land Apartment Building
 Other: (Specify) _____ Commercial/Industrial Bldg.

12. TOTAL SALE PRICE \$ _____

3. WAS THE PROPERTY RENTED OR LEASED AT THE TIME OF SALE? YES NO

DEED DATE ____/____/____
13. I CERTIFY THAT THE ADDRESS TO WHICH TAX STATEMENTS FOR THE PROPERTY ARE TO BE SENT IS CORRECT. I ALSO CERTIFY I HAVE READ ITEM NO. 13 ON THE REVERSE SIDE AND HEREBY CERTIFY THE ACCURACY OF THE INFORMATION AND THAT I AM AWARE OF THE PENALTY PROVISIONS OF K.S.A. 79-1437g.

4. DID THE SALE PRICE INCLUDE AN EXISTING BUSINESS? YES NO

PRINT NAME _____

5. WAS ANY PERSONAL PROPERTY (SUCH AS FURNITURE, EQUIPMENT, MACHINERY, LIVESTOCK, CROPS, BUSINESS FRANCHISE OR INVENTORY, ETC.) INCLUDED IN THE SALE PRICE? YES NO
If yes, please describe _____

SIGNATURE _____

Estimated value of all personal property items included in the sale price \$ _____
If Mobile Home Year _____ Model _____

GRANTOR (SELLER) GRANTEE (BUYER)
 AGENT DAYTIME PHONE NO. (____) _____

2-5

INSTRUCTIONS FOR COMPLETING THE SALES VALIDATION QUESTIONNAIRE

- ITEM 1** Please check all boxes which pertain.
- ITEM 2** Check the box which describes the current or most recent use of the property at the time of sale. Check all boxes which are applicable if the property has multiple uses.
- ITEM 3** Check yes; if the buyer assumed any long term lease(s) (more than 3 years remaining) at the time of sale.
- ITEM 4** Check yes; if the purchase price included an operating business, franchise, trade license, patent, trademark, stock, bonds, technology, and/or goodwill.
- ITEM 5** Check yes; if any tangible and portable items of property were included in the sale price. If possible, provide a brief description and your estimate of the total value of all personal property included in the sale price.
- ITEM 6** Check yes; if the property characteristics have been changed since January 1. Indicate what type of change(s) took place by marking the appropriate box. Indicate the date the change(s) took place.
- ITEM 7** Check yes; if any delinquent taxes were assumed by the purchaser and included as part of the sale price. Do not consider any prorated taxes for the year in which the property was sold that are part of normal escrow closings.
- ITEM 8** Check the predominate method of financing used to acquire the property. Check "Not Applicable" if no money exchanged hands or refinancing of an existing loan.
- ITEM 9** Check yes; if the property was either advertised on the open market, displayed a for sale sign, listed with a real estate agent or offered by word of mouth.
- ITEM 10** Check yes; if the buyer owns or controls the property adjoining or adjacent to the property being purchased.
- ITEM 11** Provide an explanation if you believe the buyer or seller did not act prudently, was not fully informed about the property or knowledgeable of the local market, poorly advised, did not use good judgement in the negotiations, was acting under duress, or compelled out of necessity. Use an additional sheet of paper if necessary.
- ITEM 12** Provide the total sale price and date of sale. The date should be the date that either the deed or the contract for deed was signed, not the date the deed was recorded.
- ITEM 13** Please sign the questionnaire and list your phone number. The county appraiser may need to make a follow up phone call to clarify unusual terms or conditions.

K.S.A. 79-1437g. Same; penalty for violations. Any person who shall falsify the value of real estate transferred shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$500. (L. 1991, ch. 162, sec. 7; L. 1992, ch. 159, sec. 3; April 30.)

TRANSFERS OF TITLE THAT DO NOT REQUIRE A SALES VALIDATION QUESTIONNAIRE ARE AS FOLLOWS:

- (1) Recorded prior to the effective date of this act, i.e., July 1, 1991;
- (2) made solely for the purpose of securing or releasing security for a debt or other obligation;
- (3) made for the purpose of confirming, correcting, modifying or supplementing a deed previously recorded, and without additional consideration;
- (4) by way of gift, donation or contribution stated in the deed or other instruments;
- (5) to cemetery lots;
- (6) by leases and transfers of severed mineral interests;
- (7) to or from a trust, and without consideration;
- (8) resulting from a divorce settlement where one party transfers interest in property to the other;
- (9) made solely for the purpose of creating a joint tenancy or tenancy in common;
- (10) by way of a sheriff's deed;
- (11) by way of a deed which has been in escrow for longer than five years;
- (12) by way of a quit claim deed filed for the purpose of clearing title encumbrances;
- (13) when title is transferred to convey right-of-way or pursuant to eminent domain;
- (14) made by a guardian, executor, administrator, conservator or trustee of an estate pursuant to judicial order;
- (15) when title is transferred due to repossession; or
- (16) made for the purpose of releasing an equitable lien on a previously recorded affidavit of equitable interest, and without additional consideration.

- (b) **When a real estate sales validation questionnaire is not required due to one or more of the exemptions provided in 1-16 above, the exemption shall be clearly stated on the document being filed.**

If you have any questions or need assistance completing this form, please call the county appraiser's office.

2-6



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- [Butler](#)
- [Clay](#)
- [Cloud](#)
- [Ellis](#)
- [Finney](#)
- [Ford](#)
- [Graham](#)
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[Back to the main Property Valuation page](#)

2-7



Testimony for the Kansas House Commerce and Labor Committee

**In Support of Senate Bill 518
An Act Concerning Payment of Compensation, Relating to Payment Methods; Electronic Transfer;
Electronic Deposit; Payroll Card**

**March 02, 2006
Topeka, Kansas**

**By Phillip M. Hayes, Operations Manager & HR Consultant
The Arnold Group, A Human Resource Company**

530 S. Topeka, Wichita, KS 67202
P-316.263.9283 / F-316.262.8790

Dear Members of the Committee:

My name is Phillip Hayes. I would like to thank you for the opportunity to submit the following testimony as you consider Senate Bill 518, a bill that would allow Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods. As a human resources professional, small business manager, and a member of the Society for Human Resource Management (SHRM) I respectfully urge the legislature to consider the proposed amendments to K.S.A. 44-314 as drafted in Senate Bill 518.

Employers throughout the state are being challenged to do more with less and must develop process improvements to provide quality services and improve their competitive position. Allowing Kansas employers to designate and implement electronic payroll programs will provide businesses an important opportunity to deliver high quality service that their employees deserve, result in more efficient and cost-effective operations, and help employees without traditional bank accounts take advantage of electronic payment benefits. Kansas employers should be provided the option to designate the method by which they pay their respective employees which best fits their business model. Electronic payroll processing is safe, convenient and reliable.

Employers benefit from electronic payroll processing through cost savings and by providing a popular benefit to their employees. Since payroll check volume would substantially decrease, the number of forged, altered, and counterfeit checks also decreases, resulting in immediate savings. Direct deposit and payroll cards also significantly improve payment delivery services. There is an electronic audit trail to ensure that the payment can always be located. Payments can be traced through the banking system and beneficiaries have a permanent record of their payment through their financial records.

There are economic advantages of electronic payroll processing for employees as well. Employees that collect their wages electronically benefit by receiving their pay on time, every time, even when they are away from work or home. Electronic payment is more convenient than traditional paper payroll processing. Employees also have faster access to their money than with a paper check as benefits are credited to accounts or payroll cards at the opening of business on the scheduled payment date. Employees can write checks payable to themselves or use an automated teller machine (ATM) to obtain cash immediately and thus are in no different a position than if they are paid by check. Direct deposit beneficiaries can also write checks to pay bills. Electronic payroll processing avoids check cashing fees and fees for money orders and similar charges for employees.

Governments at all levels have been using electronic fund transfers for some time to pay their employees, make vendor payments and provide tax refunds with high levels of participation and satisfaction. Providing Kansas employers the same option to implement paperless payroll methodologies allows private business to realize the same efficiency and cost-saving benefits governmental agencies have benefited from for more than three decades.

530 SOUTH TOPEKA, WICHITA, KS 67202

316.263.9283 • FAX: 316.262.8790

www.the-arnold-group.com

Commerce Labor
3-2-06
Atch # 3

At this time, I would like to share a few of my personal experiences regarding the current statute.

The Arnold Group is a human resource company that provides HR solutions ranging from temporary and professional staffing to human resource consultation. As an HR consultant, I consult with a variety of businesses throughout the State of Kansas. Over the past several years, many employers have and continue to inquire about the ability to designate electronic payroll processing methodologies as their only method. Currently K.S.A. 44-314 governs the provisions regarding such actions. In my opinion, the current statute has and continues to be interpreted several different ways, by private employers and by state employees employed by the Kansas Department of Labor. I have worked with small to mid-sized organizations that require all employees enroll for electronic payroll or present their position as a requirement for employment and/or continued employment. Moreover, I have personally had several conversations with the KS DOL in the past regarding employer rights to require direct deposit enrollment as a condition of employment, resulting in conflicting responses each time I have inquired. One conversation led to the belief that a private employer can mandate this action and if the potential employee denies the option, the employment offer could be rescinded. As a human resource company, we encourage our clients to abide with the current statute and recommend these employment practices be avoided.

In addition to my client experiences, The Arnold Group transitioned from a paper payroll processing to an electronic payroll processing system. Following are the some of the immediate benefits we have experienced and observed as a result of this transition:

Employer Benefits:

- Eliminated the possibility of lost, stolen, or forged checks. Checks mailed through the USPS did not always arrive on time so employees had experienced occasional delays. If checks were lost, employers incur costs for stop payments and reissued paychecks, thus employees experienced even longer delays.
- Eliminated delays resulting from vacations and unexpected absences that overlap payday. Electronic payment avoids this issue because the net wages are automatically deposited in to employee accounts on payday.
- Cost savings – Electronic processing is less expensive for The Arnold Group to process because we save on the expense of checks as well as on bank fees. We also have less time reconciling accounts because electronic transactions clear on a specified date compared to checks which can clear sporadically.

Employee Benefits:

- Saves time – Saves trips to their financial institution. Employees do not have to wait in line to deposit their paycheck.
- Quicker deposits – reducing the possibility of overdrafts.
- Deposit of wages, even when on vacation, sick, or away on business.

I have visited with several HR professionals throughout the state regarding their interest in having the proposed amendments adopted. As a member of SHRM, Kansas SHRM, and Wichita SHRM, I am confident many of my colleagues around the state support SB 518 and will be contacting their respective legislators to express their support, share their stories as they relate to this bill, and respectfully request a “yes” vote.

This completes my prepared statement. I will be pleased to answer any questions the Committee might have. Thank you for your time and consideration. If I can be of further assistance please contact me at the numbers listed above.

Respectfully,



Phillip M. Hayes, SPHR

Senate Bill 518
Payroll Methods Cost Comparisons

Monthly Costs	Basic Bank Account	Payroll Card (Employer Sponsored Program)	Check Cashing Service
Deposit Required to Open an Account	\$0.00 - \$100.00 *	N/A	N/A
Minimum Monthly Balance Required	\$0.00 - \$100.00*	N/A	N/A
Check Cashing Fee	N/A	N/A	2% - 10% on Average*
Monthly Fee	\$0.00 – \$ 5.00+ *	\$0.00+**	N/A
ATM Usage Fee	\$0.00 (In-Network) * \$1.50+ (Out of Network)*	Minimum One-Time Free of Charge Withdrawal Per Pay Period ** \$0.00 Additional Withdrawals Per Program Design** \$1.50 (on average) Withdrawal Occurrences Over Program Design*	N/A
Money Order Fees	\$0.00 - \$ 4.00+*	\$1.00*	\$1.00+*
Total Monthly Fees	\$0.00 - \$ 5.00+*	\$0.00 - \$1.50+*	2% - 10%+*
Check costs (Box of 150)	\$8.00 - \$ 17.00*	N/A	N/A
Charges for Lost Checkbook/Replacement Payroll Card	\$8.00 - \$ 17.00 (Check Costs for New Account 150-200 Checks)*	\$7.50 - \$ 25.00*	N/A
ATM Balance Inquiries	\$0.00*	\$0.00+ Per Program Design*	N/A
VRU (Voice Response Unit for Automated Call Inquiries)	\$0.00*	\$0.00+ Per Program Design*	N/A
CSR (Customer Service Representative Contacts)	\$0.00*	\$0.00+ Per Program Design*	N/A
Automatic Bill Payment	\$0.00 - \$5.95+*	\$0.00+ \$0.50 Each Per Program Design	N/A
PIN Changes	\$0.00 - \$3.00+ Per Change*	\$0.00+ Per Program Design*	N/A
Account Closure	\$10.00 - \$25.00*	\$0.00 - \$15.00+*	N/A

* Employee Cost / Responsibility

** Employer Cost / Responsibility

3-3

Senate Bill 518 Payroll Methods Applied Scenarios

Checking Account Employee (Assumptions):

- Employee is paid \$400 every two weeks (26 pay periods per year).
- Checking account requires minimum balance of \$100 with \$5.00 monthly fee assessment for balance dipping below minimum during the month.
- Opens account and buys one box of checks in style offered by Bank at average cost of \$12.50.
- Employee dips below minimum balance requirement for checking account six (6) times per year.
- Employee pays three bills per month by personal check (36 bills/ year).
- Employee uses ATM machine within network to withdraw cash twice per month at no fee.
- Loses checkbook and must close account and open new account and buy new checks.

Payroll Card Employee (Assumptions):

- Employee is paid \$400, twice per month.
- Withdraw(s) one (1) entire monthly paycheck in cash at ATM, on payday each month.
- Employee uses withdrawn cash to purchases three money orders per month to pay bills at fee of \$1.00 each (36 per year).
- Uses in-network ATM to withdraw cash seven times per year in excess of program design features at a \$1.50 fee each time (7 times per year).
- Inquires about balance through automated Voice Response Unit (VRU) three times per year in excess of program design features at a \$1.50 fee each time (3 times per year).
- Loses payroll card and must obtain replacement card once during the year.
- Contacts Customer Service Center five times per year in excess of program design features at \$1.50 fee each time (5 times per year).

Check Cashing Services (Assumptions):

- Employee is paid \$400 every two weeks (26 pay periods per year).
- Employee cashes each payroll check for fee of 3%.
- Employee purchases three money orders per month to pay bills at fee of \$1.00 each (36 per year).

Applied Scenarios:

	Checking Account	Payroll Card	Check Cashing Services
Minimum Deposit to Open Account:	\$ 100.00	\$ 0.00	\$ 0.00
Purchase 1 Box of Checks:	\$ 12.50	\$ 0.00	\$ 0.00
Below Minimum Balance Fees:	\$ 35.00	\$ 0.00	\$ 0.00
Lost Checkbook / Replacement Card:	\$ 12.50	\$ 15.00	\$ 0.00
ATM Withdrawal of Wages / Cashing Fees:	\$ 0.00	\$ 0.00	\$ 312.00
Pymt of 36 Bills Yr/ Ck or Money Order:	\$ 0.00	\$ 36.00	\$ 36.00
Excess ATM Withdrawals:	\$ 0.00	\$ 10.50	\$ 0.00
Excess VRU Balance Inquiries:	\$ 0.00	\$ 4.50	\$ 0.00
Excess Customer Service Inquiries:	\$ 0.00	\$ 7.50	\$ 0.00
Estimated Annual Costs:	\$ 159.00	\$ 73.50	\$ 348.00
Total Annual Savings Realized:	\$189.00	\$274.50	\$ 0.00

Senate Bill 518

Employee and Employer Benefits

SB 518 would provide Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods. The following summary outlines the benefits both employees and employers would realize from the passage of SB 518.

Employee Benefits:

- *If the employer chooses electronic payroll methods exclusively, employees would be able to choose direct deposit or a payroll card that would operate similarly to paper check.*
- *Receive pay on time, every time, even when away from work or home.*
- *Faster access to money than with a paper check – net wages are credited to accounts at the opening of business on the scheduled payment date.*
- *Payments can be traced through the banking system.*
- *Permanent record of payment through the employee's financial records.*
- *Avoids check cashing fees and similar charges for "unbanked" employees.*

Employer Benefits:

- *Cost savings - eliminate the possibility of lost, stolen, or forged checks.*
- *Provides a popular benefit to the employees.*
- *Significantly improves payment delivery services.*
- *Security - an electronic audit trail ensures payment can always be located.*
- *Less expense incurred by employers through the cost of paper checks, bank fees, postage costs, labor costs, and unclaimed property (in the form of unclaimed checks) which are remitted to the state.*

Allowing Kansas employers the ability to designate the appropriate payroll methods in which to pay their employees will provide businesses an important opportunity to deliver high quality service that their employees deserve; result in more efficient and cost-effective operations; and help employees without traditional bank accounts take advantage of the benefits of electronic payments. Electronic payroll processing is safe, convenient and reliable.

Kansas companies must deliver competitive products or services to the marketplace at a cost that permits the organization to remain financially viable. Compensation programs should be designed to provide the maximum return to the employees consistent with achieving these goals. SB 518 accomplishes these objectives.

6-3

Supporters for SB 518

Name	Title	Company	Location	Phone Number	E-mail
1 Kathy Patton	Vice President, Human Resources	Emporia State Bank	Emporia	620.340.9946	kathyp@esbtrust.com
2 Shelby Jones	Branch Manager	The Arnold Group	Emporia	620.342.0700	sjones@the-arnold-group.com
3 Larry Gennette	Human Resources Manager	Inland Paperboard	Garden City	620.276.6349	larrygennette@templeinland.com
4 Karen Beasley	Director of Human Resources	Fuller Brush Company	Great Bend	620.793.4517	kbeasley@cpac-fuller.com
5 Brad Schumacher	Regional Insurance Sales Manager	AFLAC Regional Office	Hays	785.625.7527	bschumacher@afl-kansas.com
6 Chris Burger	Human Resources Manager	NEW Customer Service Company	Hays	785.621.3207	cburger@newcorp.com
7 De Roth	Human Resources Manager	High Plains Mental Health	Hays	785.628.1066	de@hpmhc.com
8 Linda Miller	Human Resources and Office Manager	Flame Engineering	Hays	785.222.2873	lmiller@flameengineering.com
9 Sharon Dreher	Vice President of Administrative Services	Midwest Energy	Hays	785.625.1406	sdreher@mwenergy.com
10 Tom Zerfas	Benefits Administrator	Sunflower Electric Power Corporation	Hays	785.623.3357	tzerfas@sunflower.net
11 Justin Spradlin	Branch Manager	The Arnold Group	Hutchinson	620.663.5124	jspradlin@the-arnold-group.com
12 Karol Sauer	Human Resources Director	Data Center, Inc.	Hutchinson	620.694.6880	ksauer@datacenterinc.com
13 Krista Heimberger	Director of Human Resources	Standard Motor Products	Independence	316.331.1000	kheimberger@smpcorp.com
14 Pamela Jackson	Human Resources Manager	Empire Today, LLC	Junction City	620.583.3000 ext. 8301	pjackson@empire-today.com
15 Andrew Ratzlaff	Human Resources Director	Valley View Retirement	Junction City	785.762.6018	ratzloffandrew@valleyview1.com
16 Shawne Boyd	Chapter President	IPMA-HR (Int'l Public Mgmt Asso. for Human Resources - KS)	Kansas	316.788.1519	shawneboyd@derbyweb.com
17 Becky Gonzales	Sr. Manager of Human Resources	Golf Course Superintendents Association of America (GCSAA)	Lawrence	785.832.3645	bgonzales@gcsaa.org
18 Dick Leines	Human Resources Director	Cottonwood, Inc.	Lawrence	785.842.6102	
19 Karen Reed	Personnel Specialist	City of Lawrence	Lawrence	785.832.3207	kreed@ci.lawrence.ks.us
20 Kristen Krug	HR Manager	Amarr Garage Doors	Lawrence	785.865.500	kkrug@amarr.com
21 Lori MacDonald	Director of Operations	Martin-Smith Personnel Services, Inc.	Lawrence	785.842.1515	lori.macdonald@adeccona.com
22 Ruby McDavis	HR Specialist	Bert Nash Community Mental Health Center	Lawrence	785.830.1702	rmcdavis@bertnash.org

3-17

Supporters for SB 518

Name	Title	Company	Location	Phone Number	E-mail
23 Sarah Meinershagen	HR Generalist	Amarr Garage Doors	Lawrence	785.865.5500	smeinershagen@amarr.com
24 Shirley Martin-Smith	Owner	Martin-Smith Personnel Services, Inc.	Lawrence	785.842.1515	shirley.smith@adeccona.com
25 David Grant	Director of Human Resources	Nueterra Healthcare	Leawood	913.387.0525	dgrant@nueterra.com
26 Camber L. Boland	Human Resources Manager	Rural Telephone	Lenora	785.567.4281	camber@ruraltel.com
27 Camber L. Boland	Human Resources Manager	NexTek	Lenora	785.567.4281	camber@ruraltel.com
28 Chris Mayfield	Director of Administration	Abbott Workholding Products	Manhattan	785.776.8555	cmayfield@abbottworkholding.com
29 Carol Farmer	President	Pro Pay, LLC	Overland Park	913.826.6302	cfarmer@propayllc.com
30 Charlie Upton	Vice-President	Financial Benefits of Kansas City, Inc.	Overland Park	913.385.7000	charlie@finbenkc.com
31 Lenora Larson	Director of Business Development	New Directions Behavior Health	Overland Park	800.450.8706	llarson@ndbh.com
32 Patti Hanson	Manager, Strategy/Analysis/Metrics	Sprint Nextel	Overland Park	913.794.4028	Patti.L.Hanson@sprint.com
33 Sue Christopher	Human Resources Manager	Community America Credit Union	Overland Park	913.905.7000 ext. 8092	schristopher@cacu.com
34 Kim Saaranen	Business Manager	MarketAide Services	Salina	785.825.7161	ksaaranen@marketaide.com
35 Kindra Roudybush	Corporate Recruiter	Lockline	Salina	785.493.6504	knroudybush@lockline.com
36 Nicky McBurney	Branch Manager	The Arnold Group	Salina	785.826.9222	nmcburney@the-arnold-group.com
37 Pat Sullivan	Vice President, Human Resources	Blue Beacon International	Salina	785.826.8282	pats@bluebeacon.com
38 Patrick Salmans	VP of Human Resources	Sunflower Bank, N.A.	Salina	785.827.5564 ext. 647	patrick@sunflowerbank.com
39 Bernard H. Becker	Vice President & Chief Human Resources Officer	Stormont-Vail HealthCare	Topeka	785.354.6801	bbecker@stormontvail.org
40 Kelly Prokop	Branch Manager	Adecco - Topeka	Topeka	785.267.2342	kelly.prokop@adeccona.com
41 Barbara Alcantar	Director of Human Resources	Harrah's Prairie Band Casino	Topeka	785.966.7786	balcantar@prairie.harrahs.com
42 Bob Washatka	Owner	Express Personnel Services	Topeka	785.267.2773	bob.washatka@expresspersonnel.com
43 Cynthia B. Stotlar	President	Creative Business Solutions	Topeka	785.233.7860	Cynthia.stotlar@cbsks.com
44 Janna Jepson	Finance Professional	Topeka & Shawnee County Public Library	Topeka	785.580.4491	jjepson@mail.tsopl.org

8-3

Supporters for SB 518

Name	Title	Company	Location	Phone Number	E-mail
45 Jim Green	Controller	Del Monte Pet Products	Topeka	785.232.5011	jim.green@delmonte.com
46 Kim Gulley	Director of Policy Development & Communications	League of Kansas Municipalities	Topeka	785.354.9565	kwinn@lkm.org
47 Kristin Scott	HR Consultant	Creative Business Solutions	Topeka	785.233.7860	kristin.scott@cbsks.com
48 Lisa Carlton	Director, Compensation and Benefits	Stormont-Vail HealthCare	Topeka	785.354.5916	lcarter@stormontvail.org
49 Marlee Carpenter	Vice President of Government Affairs	The Kansas Chamber	Topeka	785.357.6321	mcarpenter@kansaschamber.org
50 Nancy Watkins	Deputy Director of Finance	Topeka & Shawnee County Public Library	Topeka	785.580.4492	nwatkins@mail.tscpl.org
51 Tracy Seitz	Human Resource Professional	Topeka & Shawnee County Public Library	Topeka	785.580.4492	tseitz@mail.tscpl.org
52 Bill Goodlatte	Sr. Vice President, Human Resources	The LDF Companies	Wichita	316.636.5575	bgoodlatte@ldfcompanies.com
53 Byron Stout	Human Resources Manager	Love Box Company	Wichita	316.831.5158	bstout@lovebox.com
54 Carolyn Sylvestrer	Area Manager	Adecco - Wichita	Wichita	316.267.3737	carolyn.sylvester@adeccona.com
55 Dan Hamel	Human Resource Director	Metal-Fab Inc	Wichita	316.943.2351	danh@mttfab.com
56 DeAnna Smith	Chief Operating Officer	Hinkle Elkouri Law Firm, LLC	Wichita	316.660.6167	dsmith@hinklaw.com
57 Denise Huebert	Human Resources Director	Integra Technologies, LLC	Wichita	316.630.6832	dhueb@amkor.com
58 Don Morris	Vice President, Human Resources	Wesley Medical Center	Wichita	316.962.2960	don.morris@wesleymc.com
59 Francis Foster	Human Resources Professional		Wichita	316.268.0862	fosterf@usa.redcross.org
60 Guy McCormick	Human Resource Specialist	City of Wichita	Wichita	316.268.4531	gmccormick@wichita.gov
61 Jeremy Johnson	Human Resources Consultant	The Arnold Group	Wichita	316.263.9283	jjohnson@the-arnold-group.com
62 Jill Staats	President	The Arnold Group	Wichita	316.263.9283	jstaats@the-arnold-group.com
63 Judy Worrell	Director of Human Resources	Berry Companies, Inc.	Wichita	316.858.8106	judyw@berrycompanies.com
64 Julie Nuessen	Human Resources Manager	Yingling Aviation	Wichita	316.943.3246	jnuessen@yinglingaviation.com
65 Kathy Cox	Vice President, Human Resources	Newman University	Wichita	316.942.4291	coxk@newmanu.edu
66 Kim Scanlan	Human Resources Professional		Wichita	316.304.6593	tscanlan@cox.net

9-5

Supporters for SB 518

Name	Title	Company	Location	Phone Number	E-mail
67 Krista Thacker	Leader, Staffing	Via Christi Regional Medical Center	Wichita	316.268.5853	krista_thacker@via-christi.org
68 L. Kay Walton	V.P. and Director of Human Resources	IMA Financial Group, Inc	Wichita	316.266.6223	kay.walton@imacorp.com
69 Lee Ann Casey	Human Resources Specialist, HRIS & Payroll Manager	City of Wichita	Wichita	316.269.4756	lcasey@wichita.gov
70 Madonna Buresh	Human Resources Consultant	The Arnold Group	Wichita	316.263.9283	mburesh@the-arnold-group.com
71 Makala Wiese	Human Resources Coordinator	Youthville	Wichita	316.529.9120	mwiese@youthville.org
72 Mary Farrar	Human Resources Coordinator	Professional Engineering Consultants, P.A.	Wichita	316.262.2691	Mary.Farrar@pec1.com
73 Mary Faulkner	Vice President, Human Resources	Prairie State Bank	Wichita	316.775.4904	mfaulkner@prairiestatebank.com
74 Mary Jenkins	Human Resources Manager	Cerebral Palsy Research Foundation of KS	Wichita	316.652.1573	maryj@cpfrf.org
75 Nancy Ahsmuhs	Controller	Independent Living Resource Center	Wichita	316.942.6300	nahsmuhs@ilrcks.org
76 Phillip Hayes	Operations Manager & HR Consultant	The Arnold Group	Wichita	316.263.9283	phayes@the-arnold-group.com
77 Roberta Johnson	Associate General Council	Via Christi Health System, Inc.	Wichita	316.858.4925	roberta_johnson@via-christi.org
78 Ron Consolver	Payroll Manager	Love Box Company	Wichita	316.831.5375	rconsolver@lovebox.com
79 Ron Ratzlaff	Director of Human Resources	Larksfield Place	Wichita	316.636.1000	rratzlaff@larksfieldplace.org
80 Shana Glover	HR Operations & Compliance Program Management Specialist	Cessna Aircraft Company / Textron, Inc.	Wichita	316.831.5710	sglover@cessna.textron.com
81 Shawne Boyd	Human Resources Coordinator	City of Derby	Wichita	316.788.1519	shawneboyd@derbyweb.com
82 Shelbye Wagner	Human Resources Administrator	iSi (integrated solutions, inc.)	Wichita	316.264.7050	swagner@isienvironmental.com
83 Tracey Faulkner	Director of Human Resources	Scholfield Automobile Group	Wichita	316.688.5000 ext. 205	hr@scholfield.com
84 William Schmitz	Business Manager	Wichita YMCA	Wichita	316.219.9622	bill@wichitaymca.org
85 Karen Tatro	HR/Accounting Manager	Winfield Consumer Products, Inc.	Winfield	620.221.2268	ktatro@huskyliners.com
86 Lindsay Green	Branch Manager	The Arnold Group	Winfield	620.221.7100	lgreen@the-arnold-group.com
87 Sue Simmons	Director of Human Resources	Southwestern College	Winfield	620.229.6141	ssimmons@sckans.edu

SENATE BILL No. 518

By Committee on Commerce

2-7

10 AN ACT concerning payment of compensation; relating to payment
11 methods; electronic transfer; electronic deposit; payroll card; amend-
12 ing K.S.A. 44-314 and repealing the existing section.

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

15 ~~New Section 1. Between July 1, 2006, and June 30, 2007, the~~
16 ~~employer shall convene four quarterly employee forums to provide~~
17 ~~information to employees regarding plans to implement a payment~~
18 ~~system pursuant to K.S.A. 44-314, as it will be effective on and after~~
19 ~~July 1, 2007. The provisions of this section shall expire on June 30,~~
20 ~~2007.~~

Delete all of New Section 1, lines 15-20.

21 Section ~~1~~ ~~2~~. ~~On and after July 1, 2007,~~ K.S.A. 44-314 is hereby
22 amended to read as follows: 44-314. (a) Every employer shall pay all wages
23 due to the employees of the employer at least once during each calendar
24 month, on regular paydays designated in advance by the employer, ~~in~~
25 ~~lawful money of the United States or with checks or drafts which are~~
26 ~~negotiable in the community wherein the place of employment is located~~
27 ~~or, with the written consent of the employee, by electronic deposit to an~~
28 ~~employee's account at a financial institution.~~

Line 21, strike "2" and insert "1"
Strike "On and after July 1, 2007."

29 (b) *The employer may designate the method by which employees re-*
30 *ceive wages, provided all wages shall be paid by one or more of the fol-*
31 *lowing methods at no cost to employees:*

- 32 (1) *In lawful money of the United States;*
33 (2) *by check or draft which is negotiable in the community wherein*
34 *the place of employment is located;*
35 (3) *by electronic transfer or deposit to an automated clearing house*
36 *member financial institution account designated by the employee, or*
37 (4) *by payroll card at the election of the employee when offered by*
38 *the employer. If such method is used exclusively, the employer must*
39 *offer a payroll card, if requested by the employee. ~~At least one with-~~*
40 *drawal per pay period ~~shall be allowed at no cost to employees who~~*
41 *~~use payroll cards.~~ For purposes of this section, "payroll card" means a*
42 *card, issued by the employer, a bank or other entity on behalf of an*
43 *employer, on which the net wages of an employee have been loaded or*

In line 39 - strike "At"
Insert in line 39 after "employee."
the following: "Employees who use payroll cards shall be allowed at"
In line 40 - strike "shall be allowed at no cost to employees who"
Insert in line 40 after "pay period"
the following: "at no cost to the employee. Not less than sixty (60) days prior to implementing payment pursuant to this section, an employer shall conduct one or more employee forums to provide employees information regarding the use of payroll cards under this payment method."
In line 41 - strike "use payroll cards."

1 deposited by the employer and which are available to an employee each
2 payday. Funds available to an employee by payroll card may be with-
3 drawn by the employee at authorized automated teller machines, pre-
4 sented to card accepting merchants at points of sale or at other authorized
5 locations as may be included in the payroll card program offered by the
6 employer.

7 ~~(c) Except as provided in subsection (b)(1) of this section, an employee~~
8 ~~may not refuse payment of wages by a method designated by the employer~~
9 ~~and permitted under subsection (b) of this section.~~

10 ~~(b) (d)~~ (c) The end of the pay period for which payment is made on
11 a regular payday shall be not more than 15 days before such regular
12 payday unless a variance in such requirement is authorized by state or
13 federal law.

14 ~~Sec. 2-3. On and after July 1, 2007, K.S.A. 44-314 is hereby~~
15 ~~repealed.~~

16 Sec. ~~2-4~~ This act shall take effect and be in force from and after its
17 publication in the statute book.

Delete lines 14-15.

In line 16 - strike "4" and insert "2".

Page 1, lines 35 through 41 shall read:

(3) by electronic transfer or deposit to an automated clearing house member financial institution account designated by the employee. If such method is used exclusively, the employer must offer a payroll card, if requested by the employee. Employees who use payroll cards shall be allowed at least one withdrawal per pay period at no cost to the employee. Not less than sixty (60) days prior to implementing payment pursuant to this section, an employer shall conduct one or more employee forums to provide employees information regarding the use of payroll cards under this payment method. For purposes of this section, "payroll card" means a

3-11



March 2, 2006

Testimony before the Kansas House of Representatives Commerce and Labor Committee
Senate Bill 518 - Support

Chairperson Dahl and members of the Committee:

My name is Mary Faulkner. I am a concerned Kansas resident and member of the Kansas business community, as well as a member of the Kansas State SHRM Council.

I am testifying today in support of SB 518. This bill will amend K.S.A. 44-314 so that Kansas employers will have the ability to designate the payment methodologies they believe would best fit the needs of their individual company and employees. This amendment will allow a business operating in Kansas, to make the most effective business decision on pay method, in addition to providing a safe, convenient and timely delivery of an employee's earned wages.

You are all well aware of the competitive environment in today's Global marketplace. All members of the Kansas business community need to continually search for efficient and effective ways to process their increasingly demanding administrative duties. For several companies, electronic commerce allows many labor-intensive administrative duties to be completed efficiently and effectively. Use of these systems is increasing worldwide, and is needed to remain competitive.

Not all Kansas companies will choose to use an electronic payment system. However, each employer should have the choice to make this business decision. Collectively, these employers provide livelihood for their employees and support the ongoing growth of commerce within the state of Kansas.

Thank you for the opportunity to present my position. I will be glad to discuss this issue in further detail.

Respectfully submitted,

Mary Faulkner, MHRD/OD, SPHR
Vice President & Human Resource Officer

Testimony Before the Kansas House of Representatives Commerce and Labor Committee

**In Support of Senate Bill 518
An Act Concerning Payment of Compensation, Relating to Payment Methods; Electronic
Transfer; Electronic Deposit; Payroll Card**

**March 2, 2006
Topeka, Kansas**

**By Roberta R. Johnson, Associate General Counsel
Via Christi Health System
3720 E. Bayley, Wichita, KS 67218
P-316.858.4925 / F-316.858.4189**

Good morning, my name is Roberta Johnson, Associate General Counsel of Via Christi Health System in Wichita, Kansas. As an employer of approximately 9,000 employees located in a number of communities throughout the State of Kansas, I am appearing today on behalf of Via Christi to speak in support of SB 518.

SB 518 would amend K.S.A. 44-314 to allow Kansas employers additional flexibility with respect to the management of their payroll processes and payment methods by allowing employers to designate, if they so choose, to exclusively pay employees electronically, by direct deposit or by use of a payroll card, the latter to be provided by the employer if requested by an employee.

Currently, K.S.A. 44-314 requires an employer to obtain written consent from an employee in order to issue payment to the employee by direct deposit. While a large majority of Via Christi employees welcome the confidentiality, security and convenience that accompanies payment by "direct deposit," a few employees remain entrenched in their ways electing to be paid by paper check, delivered by mail. When these employees are asked why they prefer paper checks to direct deposit, they provide a variety of reasons. Among those are that some employees simply struggle with any change in

Comm Labor
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routine, preferring the familiar over something new; some employees simply don't want to make the effort to fill out the form to receive payment by direct deposit; some employees simply don't like banks or are fearful of having a bank account, and, therefore, resist this method of payment.

In addition to those employees noted above, there is a small group of individuals, known in the banking industry as the "unbanked," who, due to past credit or other personal financial issues, are not eligible to open a checking account and, accordingly, believe payment, electronically, is not a viable option for them and therefore continue to receive their wages by paper check. Via Christi is concerned that these employees, many of whom are the most vulnerable, financially, are being victimized and preyed upon by check-cashing businesses who charge outrageously high fees for the simple "privilege" of cashing the employee's paycheck.

A January 17, 2006, article in the *Wichita Eagle*, recently highlighted the plight of these individuals, stating that, "Consumers who use check-cashing services typically pay a 2 percent to 10 percent fee to do so, depending on the type of check." For employees who may already be living on a tight budget, giving 2 to 10 percent of their net pay to a "middleman" only compounds their problems. The *Wichita Eagle* article recognized the payroll card as a viable alternative for individuals caught in this quandary.

The proposed language of SB 518 would address this problem and require employers who choose to exclusively pay employees electronically, to provide a payroll card option to employees who request this option, many of whom are "unbanked." Similarly, employees who simply desire to take advantage of the additional convenience such a card provides would be able to request a payroll card.

For those of you who are not familiar with a payroll card, let me briefly explain what it is and how it operates. A payroll card is, essentially, a plastic card issued to an employee onto which an employee's net wages are "loaded" or "prepaid" each payday. These cards are similar to "gift" or "phone" cards onto which a finite, but renewable, dollar amount can be "loaded."

Although payroll card programs vary, each program essentially allows an employee to use the payroll card to withdraw cash at ATM machines within the program's network (including at least a one-time per pay period withdrawal-in-full of the employee's net wages, free of charge to the employee) or allows an employee to make direct purchases for goods and services from numerous merchants at points of sale (with a possible small transaction fee for POS purchases in some instances).

There are numerous advantages the payroll card offers to "unbanked" employees, as well as to employees who simply desire the convenience of such a card. As with direct deposit, the funds are immediately available the morning of payday. So, an employee can be out of town or ill on payday and have the security of knowing his or her net wages were "loaded" onto the payroll card at approximately 8:00 a.m., payday morning and are available to him or her immediately thereafter. The employee need not stand in line at the bank or check banking hours in order to "cash" their paycheck. Moreover, the high fees charged by check-cashing services are eliminated, allowing the employee to pocket 100% of their net wages, not 90% as may be the case in some instances. Further, if payday falls on a holiday, the employee need not wonder where he or she can go to convert a paper paycheck into cash.

Of course, paying employees electronically, whether by direct deposit or payroll card, has advantages for employers as well, generally in the nature of a reduction in costs and expenses, which, for Via Christi totals approximately \$30,000 to \$35,000 per year. There is another advantage I would like to point out that results from payment electronically, although perhaps not as tangible as cost-savings, but still of significant importance to employers, and that is that payment, electronically, improves employee satisfaction by reducing or eliminating hassles previously associated with replacement of lost or stolen checks. Employees, who previously had to wait ten days or so for confirmation of a lost or stolen check before being issued a replacement, no longer are faced with hassles of this nature.

Via Christi and other Kansas employers deserve the right to take advantage of the wide range of technology currently available to them and to employ that technology in payroll processes and payment methodologies each employer determines best fits the needs of his or her company. Moreover, Kansas employees deserve the right to the convenience, added security and, in some instances, cost-savings that can be provided by allowing them to receive their net pay electronically. SB 518 presents that rare opportunity for a win-win situation for both employers and employees.

Via Christi asks for your support of SB 518.

Thank you for giving me this opportunity to present Via Christi's position. I would be happy to answer questions.

BANKS REJECT SOME; SOME REJECT BANKS

No checks, balances

100-
Wichita
Eagle
Comm Lab
3-2-06
Attach #



Jason Buchkoski cashes his paycheck at Daddy's Money Pawn Shop last week. Many people who cash paychecks at pawn shops and payday loan stores do so because they — like about 10 percent of people in the U.S. — don't have checking or savings accounts.

Fernando Salazar/The Wichita Eagle

Check-cashing businesses help 'unbanked' to lead cash-only lives

BY DEB GRUVER
The Wichita Eagle

After getting off work Friday, Wichita resident Mike Bode drove to Daddy's Money Pawn Shop to cash his paycheck.

Bode doesn't keep a bank account, so he lives a cash-only life, getting his money from places such as Daddy's Money and paying bills by money order.

This works best for him, he says. "I can't overspend," the 30-year-old

explained. "I live within my means."

When he had a bank account, it was too easy to buy things he couldn't afford. Now he's fearful of having an account, admitting he's just not good at managing money.

Bode, who said he makes about \$20 an hour, is among the estimated 10 percent to 12 percent of the population called "the unbanked."

So is Jason Buchkoski, who says he doesn't have a bank account because it's "too much of a hassle."

For many in this group, however,

Please see **BANKS**, Page 5A



Jaime Oppenheimer/The Wichita Eagle
Daddy's Money Pawn Shop cashes checks, as do many of Wichita's 60 other places that handle payday loans.

WHY SOME PEOPLE SKIP BANKS

Source: 2001 survey by the Federal Reserve

28.6

percent do not write enough checks to make it worthwhile

22.6

percent do not like dealing with banks

14

percent don't have enough money to open an account

10.2

percent find service charges too high

6.6

percent can't manage or balance a checking account

6.5

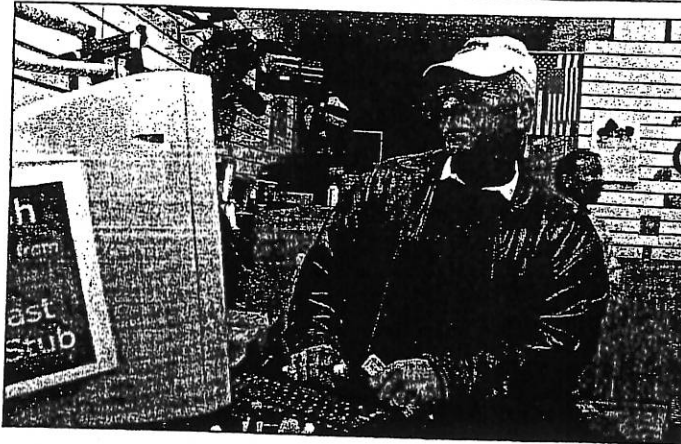
percent find minimum balance too high

11.5

percent gave other reasons

Tim Thomas, owner of Daddy's Money Pawn Shop, says that about 25 percent of the business is cashing checks.

Fernando Salazar/
The Wichita Eagle



BANKS

From Page 1A

it's not a matter of not wanting a bank account — it's a matter of not being able to get one.

Extending a lifeline

Rep. Nile Dillmore, D-Wichita, said he's concerned about people who can't get access to basic banking services.

Some people can't get accounts because they misused them in the past. Others can't come up with the money required for a minimum deposit. Others can't get them because they're here illegally.

"Our economy is relying more and more on service jobs and retail sales jobs, jobs that don't pay very much money," he said. "As a result, people in those jobs are not attractive customers to large and established banking systems. They don't have big accounts. Their borrowing needs are small.

"And so check cashers, payday lenders, title lenders — they become the primary source of financial services for that group of wage earners."

Some states, such as Illinois, Massachusetts, Minnesota, New Jersey, New York, Rhode Island and Vermont, require banks and other financial institutions to offer "lifeline" checking accounts to consumers, according to Bankrate.com, a banking industry Web site. Such accounts generally require low minimum deposits and give the consumer a certain number of checks per month.

Lifeline checking accounts are not required in Kansas.

A proposal is circulating in

Topeka that would allow out-of-state banks to accept deposits from public funds such as city and county governments and school boards. Currently, public money must be deposited with a bank based in Kansas.

As part of that proposal, Dillmore wants to see if those financial institutions would help people who don't have bank accounts.

"If the state wants to extend that privilege to them, maybe they would look at the issue of the unbanked," Dillmore said.

Risky business

Tim Thomas, owner of Daddy's Money, has been in the business for 15 years and has had his own shop for six years.

About 25 percent of the business is check cashing, he said. On a typical day, Daddy's Money cashes 40 to 50 checks. That number increases during tax season, he said.

Daddy's Money typically charges a 2 percent fee to cash a payroll check. The business also cashes other types of checks, including government and personal two-party checks. The greater the risk, the greater the fee.

"We do take a great deal of risk by being in this business, quite honestly," Thomas said.

Clerks require two forms of identification to cash a check.

Wichita has 61 places to get a payday loan. Most of those businesses also offer check-cashing services, as do some grocery stores.

Consumers who use check-cashing services typically pay a 2 percent to 10 percent fee to do so, depending on the type of check. Dillons charges \$1.50 per \$100, said spokeswoman Su-Ella McKinzie.

Most banks will cash payroll checks for non-customers for no fee if the check is drawn on that bank.

Tom Linafelt, communications director for Quik Cash, which has six stores in Wichita, said about 90 percent of the checks Quik Cash cashes are payroll checks.

The fee there to cash a payroll check also is 2 percent.

Linafelt said the check-cashing side of Quik Cash — the company also makes payday loans — has been decreasing.

"We think that's the result of a couple of factors, including increasing e-commerce and direct deposit. We're becoming a paperless financial society," he

said.

Industry safeguards

At Fidelity Bank, customers can open a checking account with as little as \$25, said spokesman Al Sanchez.

"If you can establish who you are, and you clear an industry clearinghouse system, and you've got \$25, you can open up an account at Fidelity Bank," Sanchez said.

The U.S. Patriot Act requires banks to verify a potential customer's name, current address, date of birth and Social Security number, Sanchez said.

The system Fidelity and other banks use to investigate consumers flags those who have used their accounts fraudulently or outside account guidelines.

"It shows whether you have had a checking account before, and if you used it the way it was intended to be used," Sanchez said.

If the consumer has cost a bank a loss — either through unpaid insufficient funds checks, fraud or something similar — that will show up and likely make it difficult to get an account.

Payroll option

One alternative to bank accounts is payroll cards. Intrust Bank offers the cards to some of its business customers.

Instead of issuing a paper check to employees, businesses that use payroll cards give staffers a card on payday that acts like a debit card.

Each payday, the employer reloads the card, putting the proceeds of the employee's paycheck onto the card. The employee then can make with-

drawals at an ATM or use the card for purchases.

Intrust wouldn't say how many business customers it has using payroll cards. The advantage to employers is that it cuts down on payroll costs.

"Payroll cards are great for people who are unbanked," Iseman said. "Some people just don't want to have an account."

Kansas Department of Administration
Duane Goossen, Secretary

1000 SW Jackson, Suite 500
Topeka, Kansas 66612-1368
(785) 296-3011

House Commerce and Labor Committee
SB 518 – Payment of compensation

Marilyn Jacobson, Director of Finance
March 2, 2006

SB 518 amends KSA 44-314 and repeals the existing section. The statute governs acceptable and authorized compensation payment schedules and methods for Kansas employers except for the State of Kansas. The State of Kansas as an employer is subject to additional law in regard to payment of wages to state employees. KSA 75-5540 requires the Director of Accounts and Reports to develop and authorize a payroll remittance plan which includes the direct deposit of state employees' salaries and wages into the employees' accounts at banks, savings and loan associations, or credit unions. The last sentence of KSA 75-5540 requires that "such direct deposits shall be made only upon the written authorization and direction of such state officers or employees."

The Department of Administration would like to offer the attached amendment to SB 518 for consideration by the committee. This balloon would bring consistency between the statute governing payment methods for state employees with the statute that covers all other employers within the state by striking the language requiring written authorization and linking the requirements in KSA 75-5540 to KSA 44-314.

Thank you and I would be happy to stand for questions.

Comm & Labor
3-2-06
Atch # 7

As Amended by Senate Committee

Session of 2006

SENATE BILL No. 518

By Committee on Commerce

2-7

and 75-5540

sections

10 AN ACT concerning payment of compensation; relating to payment
11 methods; electronic transfer; electronic deposit; payroll card; amend-
12 ing K.S.A. 44-314 and repealing the existing ~~Section~~

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

15 *New Section 1. Between July 1, 2006, and June 30, 2007, the*
16 *employer shall convene four quarterly employee forums to provide*
17 *information to employees regarding plans to implement a payment*
18 *system pursuant to K.S.A. 44-314, as it will be effective on and after*
19 *July 1, 2007. The provisions of this section shall expire on June 30,*
20 *2007.*

21 Section 2. *On and after July 1, 2007, K.S.A. 44-314 is hereby*
22 *amended to read as follows: 44-314. (a) Every employer shall pay all wages*
23 *due to the employees of the employer at least once during each calendar*
24 *month, on regular paydays designated in advance by the employer, in*
25 *lawful money of the United States or with checks or drafts which are*
26 *negotiable in the community wherein the place of employment is located*
27 *or, with the written consent of the employee, by electronic deposit to an*
28 *employee's account at a financial institution.*

29 *(b) The employer may designate the method by which employees re-*
30 *ceive wages, provided all wages shall be paid by one or more of the fol-*
31 *lowing methods at no cost to employees:*

32 *(1) In lawful money of the United States;*

33 *(2) by check or draft which is negotiable in the community wherein*
34 *the place of employment is located;*

35 *(3) by electronic transfer or deposit to an automated clearing house*
36 *member financial institution account designated by the employee; or*

37 *(4) by payroll card at the election of the employee when offered by*
38 *the employer. If such method is used exclusively, the employer must*
39 *offer a payroll card, if requested by the employee. At least one with-*
40 *drawal per pay period shall be allowed at no cost to employees who*
41 *use payroll cards. For purposes of this section, "payroll card" means a*
42 *card, issued by the employer, a bank or other entity on behalf of an*
employer, on which the net wages of an employee have been loaded or

1 deposited by the employer and which are available to an employee each
2 payday. Funds available to an employee by payroll card may be with-
3 drawn by the employee at authorized automated teller machines, pre-
4 sented to card accepting merchants at points of sale or at other authorized
5 locations as may be included in the payroll card program offered by the
6 employer.

7 ~~(e) Except as provided in subsection (b)(4) of this section, an employee~~
8 ~~may not refuse payment of wages by a method designated by the employer~~
9 ~~and permitted under subsection (b) of this section.~~

10 (b) (d) (c) The end of the pay period for which payment is made on
11 a regular payday shall be not more than 15 days before such regular
12 payday unless a variance in such requirement is authorized by state or
13 federal law.

14 Sec. 2 ~~[3]~~ On and after July 1, 2007, K.S.A. 44-314 ~~[is]~~ hereby
15 repealed.

16 Sec. 3 ~~[4]~~ This act shall take effect and be in force from and after its
17 publication in the statute book.

3
7
Sec. 3. K.S.A. 75-5540 is hereby amended to read as follows: 75-5540. As part of the system of payroll accounting formulated under K.S.A. 75-5501, and amendments thereto, the director of accounts and reports shall develop and authorize a payroll remittance plan which will allow the salaries and wages of state officers or employees to be deposited directly to the accounts of such officers or employees, in banks, savings and loan associations or credit unions. Such direct deposits shall be made only upon the written authorization and direction of such state officers or employees in accordance with K.S.A. 44-314, and amendments thereto.

and 77-5540 are

4.

5.

Legislative Testimony

SB 518

March 2, 2006

Testimony before the Kansas House Committee on Commerce and Labor
By Marlee Carpenter, Vice President of Government Affairs

Chairman Dahl and members of the committee;

The Kansas Chamber and its over 10,000 members support the proposed changes set out in SB 518. As drafted, the bill will amend K.S.A. 44-314 so that Kansas employers would have the ability to designate the payment methodologies they believe are in the best interest of the company and would add a payroll debit card an acceptable means of payment.

In today's competitive environment, Kansas businesses are constantly searching for ways to streamline their business practices and cut expenses. One such way in which Kansas businesses are cutting costs is by reducing their use of paper and moving to paperless systems. Consider how businesses file the majority of their documents electronically or how everyone communicates through e-mail and text messaging. No where has there been more advancement in paperless systems than in the area of electronic commerce. Today, we pay bills electronically, buy our groceries with debit cards and even pay for the Kansas turnpike electronically. All because it reduces the amount of paper work and enhances the efficiency of business.

As drafted, SB 518 affords Kansas employers the ability to establish a more efficient payroll system as well as providing employees with a safer, more reliable compensation system. Though not all employers will designate to go with an electronic payment system, it will afford those who do the ability to implement paperless systems and save thousands of dollars a year. While the introduction of SB 518 was requested by the private sector, it would allow the public sector the same benefits of going to a complete paperless payroll system.

Imagine how much a paperless system would save the state of Kansas.

The Kansas Chamber respectfully request you pass SB 518 favorably.

The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.

Commshab
3-2-06
Atch # 8



**THE KANSAS
CHAMBER**

The Force for Business

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**WRITTEN TESTIMONY PRESENTED TO THE
COMMITTEE ON COMMERCE
IN SUPPORT OF SB 518**

March 2, 2006

My name is Patrick Salmans, Vice President of Human Resources of Sunflower Bank, N.A. in Salina, Kansas.

As a representative of a provider of financial business solutions in a number of communities throughout the State of Kansas, I ask that SB 518 be passed to address a payroll issue that can easily add several thousand dollars of unnecessary costs to companies on an annual basis. The issue of concern is regarding the inability of Kansas employers to designate or unilaterally select electronic payroll processing as a payment method, in which all employees would receive wages by direct deposit or payroll cards. The proposed amendments would not deny the option or choice for employers to continue with a paper payroll method.

To address this issue and provide Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods, I am asking the legislature to consider amending K.S.A. 44-314.

There are many advantages for Kansas employers and employees with electronic methods of payroll payment.

For employers, choosing the option to pay all employees electronically would reduce the associated overhead expenses of producing and managing a paper payroll. Electronically payroll processing would also aid in fighting against the growing problems of paper check fraud and employee identity theft. Additionally, processing wages electronically would allow employers with employees located in different cities and/or states to pay all employees at the same time, thus eliminating unnecessary and unforeseen delays with delivery services associated with a paper check system.

For employees electronically payroll processing allows unbanked employees access to the financial system without requiring a traditional bank account. Electronically payroll processing allows employees to make purchases and access cash for a minimal transaction fee at some retail points of sale. Employees could perform a one-time withdrawal of all funds with a minimal charge or no charge at all, depending on the employer arrangement with the financial institution.

Please consider this important piece of legislation and thank you for giving me this opportunity to present information on this important topic. I would be happy to answer questions regarding the use of payroll cards.

Sincerely,

Patrick Salmans, SPHR
Vice President of Human Resources
Sunflower Bank, N.A.
P.O. Box 800
Salina, KS 67401
www.sunflowerbank.com

Comm + labor
3-2-06
Atch # 9

**Kathy
Damron**

(785) 235-2525
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E-MAIL: MKDTopeka@aol.com

919 SOUTH KANSAS AVENUE

Topeka, Kansas 66612-1210

The Honorable Don Dahl, Chairman
House Commerce and Labor Committee
Room 241-N
Kansas House of Representatives
Topeka, Kansas 66612

Thursday, March 2, 2006

Dear Chairman Dahl and members of the committee:

I am submitting written testimony today in support of Senate Bill 518 which would provide for more efficient payroll processing in our state. I am testifying on behalf of the YMCAs of Kansas which serve the following communities in Kansas:

- YMCA of Atchison
- Camp Wood YMCA
- Garden City Family YMCA
- YMCA of Hutchinson and Reno County
- Junction City YMCA
- McPherson YMCA
- YMCA of Wichita
- YMCA of Salina
- YMCA of Topeka
- YMCA of Pittsburg
- EL Dorado Branch YMCA
- YMCA of Greater Kansas City

The YMCAs of Kansas serve approximately 250,000 Kansans each year, providing health and wellness programs, swimming lessons, child care and after school programs, as well as innovative programs for older adults. These programs

Comm Labor
3-2-06
Atch # 10

are offered on a low cost basis, with no one denied the opportunity to participate based on inability to pay. These non-profit, community-based providers operate at the direction of a non-paid, volunteer board of directors and budgets are extremely tight. As such, efforts to reduce overhead are always of keen interest to the YMCAs of Kansas.

SB 518 would save YMCAs tens of thousands of dollars each year in payroll processing costs. While YMCA operating costs aren't large by some standards, the number of individuals employed on a part time or temporary basis is quite large and as such so are their payroll processing costs. Allowing employers to have the ability to designate the payroll processing system that best meets their needs, while still recognizing employee needs for payroll cards, would be of great benefit to the YMCAs of Kansas. Both employers and employees benefit under this bill.

We strongly support the provisions of SB 518 and respectfully ask the committee to pass this important legislation. Thank you for your consideration.



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www.ksia.org • sheidner@ksia.org

TESTIMONY

TO: SENATE COMMERCE COMMITTEE

FROM: RICH McKEE
KANSAS SELF INSURERS ASSOCIATION (KSIA)

RE: SB 515

DATE: MARCH 2, 2006

Chairman Dahl, members of the committee, thank you for the opportunity to appear today as a proponent for SB 515. My name is Rick McKee, and I appear today on behalf of the Kansas Self Insurers Association (KSIA).

KSIA represents employers that self insure for workers compensation. We have several self funded pools within our membership. It is on behalf of those pools that we appear before you today. SB 515, put in its simplest terms, addresses the difficulty self insured pools are having obtaining aggregate excess insurance coverage by allowing them to appeal to the Insurance Commissioner to waive that requirement. All self insured pools are required by statute to carry aggregate excess insurance coverage. The public sector pools already have the ability to appeal to the Insurance Commissioner to waive that requirement. No such opportunity is provided for the private sector pools. SB 515 would correct that disparity.

We are asking for a change at this time because the insurance market has changed dramatically over the last few years. It is now almost impossible to find an insurance company that will write an aggregate excess policy for these pools. Those that do often require that the attachment point at which the insurance kicks in is so high that it could never realistically be reached. Because of this difficulty in finding insurance, and the extreme cost in those cases where it can be found, we have drafted SB 515 to provide private sector pools an opportunity to appeal to the Insurance Commissioner for a waiver of that coverage requirement.

A logical question might be "What are the additional risks to the employee and company members of the pools?" The answer is "virtually none". The first and strongest line of defense is the review by the Insurance Commissioner. Unless a pool can convince the Insurance Commissioner that their financial health is extremely impressive, the Insurance Commissioner can deny the request. Even if a waiver is granted, the reality is that it is virtually unheard of for a pool to reach the claim level where aggregate excess insurance coverage kicks in. If that is not enough support, keep in mind that the members of these

Comm Labor
3-2-06
Atch # 11

pools are jointly and severally liable for all debts of the pool. If a pool were somehow to go bankrupt, each individual member of the pool would still be liable for whatever was due to an injured worker.

This bill passed the through Senate Commerce committee and the full Senate without a dissenting vote, and is supported the Kansas Insurance Commissioner's office.

Self funded pools are good for Kansas. They write over \$60 million dollars in premiums each year, and they keep a large number of Kansas employers out of the assigned risk pool. This change will help keep them competitive and successful while producing no measurable increase in risk. It simply mirrors the rules that public pools have operated under for years.

Thank you for your consideration of SB 515, and I would stand for questions at the appropriate time.