

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 7, 2008 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Ken Wilke, Office of Revisor of Statutes  
Bev Beam, Committee Secretary  
Jill Shelley, Kansas Legislative Research Department

Conferees appearing before the committee:

Charles Letcher, Johnson County Treasurer  
Dan Nackley, Pooled Money Investment Board

Others attending:

See attached list.

The Chair called the meeting to order

Bill Introductions

John Peterson, on behalf of Coventry, a life settlement company, requested introduction of a bill making amendments to the current viatical settlement law. He said the Insurance Department asked for a conceptual introduction of a bill and we continued to work with them and other parties in hope that there would be just the one bill and it will contain what we think are the appropriate elements. We are requesting a bill introduction with the same suggestions for amendments to viatical settlements which we made to the department and other interested parties so the committee would have an opportunity to see the different options on this matter.

**Senator Barone moved introduction of the bill. Senator Wilson seconded. Motion passed.**

Hearing on:

**SB 521 - concerning payment for motor vehicle registrations**

Melissa Calderwood gave an overview of the bill. Ms. Calderwood stated SB 521 would amend the statute governing the procedure when a check for the payment of the annual license fee for the registration of a motor vehicle or motorcycle is returned due to insufficient funds. The bill will replace the term "check" with "payment instrument" issued not only by banks as stated in current law, but other financial institutions as well. The bill would also add the rejection or reversal of a credit card transaction to provisions applying to the return of payment due to insufficient funds. The term "payment instrument" as shown in subsection B comes from K.S.A. 9-5089 and refers to any written or electronic check, draft, money order, travelers check or other written instrument or order for the transition or payment of money. Passage of this bill will have no fiscal effect on state agencies.

Charles Letcher, Johnson County Treasure, testified in support of SB 521. Mr. Letcher said this bill will change the term "check" to "payment instrument" and add language for rejected or reversed credit card payments. He said these revisions will add clarity to the existing statute, thus standardizing and expanding the authority of the Sheriff while recovering revenue through the enforcement of motor vehicle laws. Mr. Letcher continued that by changing the term "check to "payment instrument" within the statute, it will specifically address these and other types of payment activities based on the meaning ascribed to "payment instrument". (Attachment 1)

The Chair closed the hearing on SB 521.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 7, 2008 in Room 136-N of the Capitol.

Hearing on:

**SB 472 - concerning the Pooled Money Investment Board; pertaining to investment in certain corporate bonds.**

Ms. Calderwood said SB 472 would amend the law governing the money of the Pooled Money Investment Board to allow the MIB Director to invest in corporate bonds which have received one of the two highest credit ratings by nationally recognized investment rating firms. The fiscal note states according to Division of the Budget the MIB estimates an increase of \$300,000 in interest revenue for the state general fund in fiscal year 2009 with the enactment of this bill. It is estimated that the state funds that retain their interest earnings would also benefit from slightly higher earnings, but no estimate was provided. The MIB also indicates the bill can be implemented within the current operating and staffing level. Any fiscal effect associated with the bill is not accounted for in the Governor's budget report.

Dan Nackley, Director of investments for the Pooled Money Investment Board, said this state agency is responsible for investing state monies, including corporate bonds receiving one of the two highest credit ratings from a nationally recognized rating firm. He said the addition of highly rated corporate bonds allows the Pooled Money Investment Board to improve the return on state money by an estimated \$300,000 annually while diversifying commercial securities holdings by investment type and maturity. Mr. Nackley noted that the Pooled Money Investment Board feels the proposed amendment outlined in SB 472 is sound policy that increases state revenue with minimum risk. (Attachment 2)

Following questions, the Chair closed the hearing on SB 472.

Action on:

**SB 465 - concerning insurance companies; relating to certain requirements regarding filing rates and forms**

**Senator Brungardt moved the bill be moved out. Senator Steineger seconded. The bill was moved out favorably.**

Action on:

**SB 521 - concerning payment for motor vehicle registrations**

**Senator Wilson moved the bill be moved out favorably and placed on the consent calendar. Senator Wysong seconded. Motion passed.**

Action on:

**SB 472 - concerning the Pooled Money Investment Board; pertaining to investment in certain corporate bonds**

**Senator Wysong moved the bill be moved out favorably. Senator Steineger seconded. The motion passed.**

The meeting adjourned at 10:30 a.m.

**SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE  
GUEST LIST**

**DATE:** 2-7-08

NAME	REPRESENTING
Bill Sneed	State Farm
Brad Smoot	AIA
Herri Spielman	KAIA
Larry Magill	KAIA
Dan Nuckley	PMIB
Scott Miller	PMIB
Marmie Bobko	PMIB
Scott Gates	Learning Quest
John Meeks	KID
John Peterson	Coventry
Charles Weber	Johnson County



## TESTIMONY

Committee on Financial Institutions and Insurance

Senate Bill No. 521

September 21, 2007

Senator Ruth Tiechman, Chairman and members of the Committee on Financial Institutions and Insurance, I am Charles M. Letcher, Treasurer of Johnson County and I thank you for the opportunity to testify on behalf of Johnson County in favor of Senate Bill No. 521. We support this measure to change the term "check" to "payment instrument" and to add language for rejected or reversed credit card payments. These revisions will add clarity to the existing statute thus standardizing and expanding the authority of the sheriff while recovering revenue through the enforcement of motor vehicle laws.

Currently, the term "check" is not defined in K.S.A. 8-145a to include other payment types such as electronic checks or wire transfers. By changing the term "check" to "payment instrument" within the statute, we can specifically address these and other types of payment activities based on the meaning ascribed to "payment instrument" in K.S.A. 9-508. This definition states: *"payment instrument" means any electronic or written check, draft, money order, travelers check or other electronic or written instrument or order for the transmission or payment of money, sold or issued to one or more persons, whether or not such instrument is negotiable. The term "payment instrument" does not include any credit card voucher, any letter of credit or any instrument which is redeemable by the issuer in goods or services.* The change in language will allow the sheriff to pursue collection of insufficient or no-fund payments made by motor vehicle customers regardless of whether the transaction was done as an electronic or written instrument since these payment types will be clearly defined in the statute.

Also, per K.S.A. 8-145a, the sheriff has the authority to recover the license plate from a motorcycle or motor vehicle for which an insufficient or no-fund check was used to pay for the registration. The addition of language related to credit card transactions will provide the same enforcement method to the sheriff for rejected or reversed credit card payments as they will have for all other payment instruments. For these reasons, Johnson County supports SB521.

In conclusion, the Johnson County Treasurer's Department respectfully requests that this legislation be advanced from this committee for further action. Thank you for your attention and I will be happy to stand for questions.

*FI&I Committee  
February 7, 2008  
Attachment 1*



# KANSAS

POOLED MONEY INVESTMENT BOARD  
DANIEL J. NACKLEY, DIRECTOR OF INVESTMENTS

KATHLEEN SEBELIUS, GOVERNOR

## Testimony on SB 472

Dan Nackley, Directory of Investments  
Pooled Money Investment Board  
February 7, 2008

The Honorable Ruth Teichman, Chair  
Senate Committee on Financial Institutions and Insurance

Senator Teichman and Members of the Committee:

On behalf of the Board of Directors of the Pooled Money Investment Board, thank you for the opportunity to review SB 472 with you today. As the state agency responsible for investing state moneys, SB 472 amends K.S.A. 75-4209 to include as eligible investments, corporate bonds receiving one of the two highest credit ratings from a nationally recognized rating firm.

The addition of highly rated corporate bonds allows the Pooled Money Investment Board to improve the return on state moneys by an estimated \$300,000 annually while diversifying our commercial securities holdings by investment type and maturity. Our commercial security holdings are currently limited to commercial paper, which have maximum maturities of 270 days. The addition of corporate bonds will allow us to match our commercial investment holdings more closely to cash flow projections, which go out two years.

The Pooled Money Investment Board has experience with the corporate bond market. As the investment portfolio manager for the Health Care Stabilization Fund and investment advisor to the Kansas Department of Transportation, we purchase, manage and recommend corporate bonds for these agencies' investment portfolios.

Highly rated corporate bonds are acceptable holdings for most state investment portfolios. Internet research found 33 states with either published investment portfolios or investment policies. Of the 33 states, 25 or 76% permitted corporate bond holdings.

The Pooled Money Investment Board feels the proposed amendment outlined in SB 472 is sound policy that increases state revenue with minimum risk. I am happy to answer any questions.

*FI&I Committee  
February 7, 2008  
Attachment 2*