

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 8:30 A.M. on March 20, 2008 in Room 527-S of the Capitol.

All members were present except:

Phil Journey- excused

Committee staff present:

Hank Avila, Kansas Legislative Research Department

Jill Shelley, Kansas Legislative Research Department

Mike Corrigan, Revisor of Statutes

Mary Jane Brueck, Committee Assistant

Conferees appearing before the committee:

Rep. Jim Morrison

Michael McLin

Sen. Ralph Ostmeyer

John Federico, National Vehicle Protection Association

Victor Smith, Executive Director & General Council, National Vehicle Protection Association

Don McNeely, Kansas Automobile Dealers Association

Others attending:

See attached list.

Chairman Donovan opened the hearing on **HB 2704--In God We Trust distinctive license plate.**

Proponents:

Rep. Jim Morrison told the committee this bill passed in the House 117-2. The plate is anticipated to have a large demand from Kansas residents. He presented a picture of the design. (Attachment 1)

Michael McLin represented the Kansas Department of Revenue Division of Vehicles. He stated the department has no objection to this bill. Residents wanting this plate will pay \$40.00 per plate, plus the usual registration fee. Sen. Palmer asked when it will be available and was told that would be January, 2009.

Sen. Ralph Ostmeyer reported there are many residents of the 40th district who have let him know of their support for this license plate. (Attachment 2)

Chairman Donovan closed the hearing on **HB 2704** and reopened the hearing on **HB 2691--Gold star family license plates**. At the first hearing on this bill, Sen. Goodwin had asked why this plate if for only mothers. These plates are exempt plates, meaning there is no \$40.00 fee. It was limited to members of Gold Star Mothers, not fathers and extended family. Sen. Petersen moved we pass this bill out of committee favorably. Sen. Palmer seconded the motion. Motion carried. Sen. Petersen then moved the bill be placed on the Consent Calendar. Sen. Palmer seconded the motion. Motion carried.

Chairman Donovan closed the hearing on **HB 2691** and opened the hearing on **Sub for HB 2725--Vehicle protection products, not subject to insurance laws**. John Federico, National Vehicle Protection Association, told the committee the Department of Insurance had "signed off" on this bill, and the House had voted 125-0 in favor of it. He explained why the bill was needed. (Attachment 3) Some information had been left out and an amendment was necessary to define incidental cost and warrantor. (Attachment 4)

Chairman Donovan asked how the factory warranty is handled.. Mr. Federico said it is not handled through insurance. Sen. Palmer asked what the effect would be on the consumer. Mr. Federico explained would not have a direct impact on consumers, but would provide certainty of the warranty. Sen. Palmer asked if there were any gray areas. Mr. Federico said the consumer warranty will cover what is and is not covered by that warranty, and is controlled by the Consumer Protection Act. This bill will not make warranties more confusing to consumers.

Victor Smith, Executive Director & General Council, National Vehicle Protection Association, came forward

CONTINUATION SHEET

MINUTES OF THE Senate Transportation Committee at 8:30 A.M. on March 20, 2008 in Room 527-S of the Capitol.

to state this bill is good for dealers, warrantors, and the consumers.

Don McNeely, Kansas Automobile Dealers Association, said the concern covered by this bill has never been an issue in Kansas. The bill clarifies that vehicle protection products are not contracts of insurance, but warranty products. (Attachment 5) Chairman Donovan closed the hearing on **Sub for HB 2725**.

Chairman Donovan asked for approval of the minutes of the March 13 meeting. Sen. Wilson moved they be accepted. Sen. Schmidt seconded the motion. Motion carried.

Chairman Donovan asked if the committee wanted to take action on bills heard today.

Sen. Schmidt moved adoption of the amendment to Sub for HB 2725. Sen. Palmer seconded the motion. Motion passed. Sen. Palmer made a motion that the bill be moved out of committee favorably as amended. Sen. Schmidt seconded the motion. Motion carried.

Sen. Apple had a question regarding **HB 2704**. He said most license plates benefit particular groups. This plate will benefit the Kansas Department of Revenue. He asked if it should benefit Salvation Army or another charity. Sen. Donovan said bills receive resistance when that is done, because other charities come into play. He suggested the bill be left as is, and, if, at a later date, we see excessive revenue generated from requests for this plate, that question can be addressed then. Sen. Palmer moved the bill be passed favorably out of committee. Sen. Wilson seconded the motion. Motion carried.

Chairman Donovan introduced Tuck Duncan, Kansas Public Transit Association, who gave a presentation to the committee about the Kansas Public Transit Association. (Attachment 6) Mr. Duncan also told the committee of Kansas based manufacturers of transit vehicles in Salina and Oswego, saying they will benefit from a nation-wide increase in use of public transit.

Chairman Donovan said the Federal fund is shorted one hundred forty million dollars for coming years making new Transportation Plans difficult to deal with at State levels of funding unless they can put together a plan of some size for comprehensive transit plans.

Sen. Goodwin asked what six million dollars in the year 2000 money would be worth today. Mr. Duncan said he would find out figure needed to provide the same service in the next plan as in the year 2000 plan.

Terry Heidner, Kansas Department of Transportation, said the department agrees transit service is important to Kansas. He addressed Sen. Goodwin's question, saying six million dollars in 2000 monies would be equal to 3.4 to 3.6 million dollars today.

A representative from the Lawrence (KS) Transit said the rising fuel cost is a problem to the public transit units causing concern about rising expenses and rising numbers of people wanting/needing to use the service.

Being no further business, Chairman Donovan adjourned the meeting at 9:15 a.m. Next meeting is Tuesday, March 25.

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HOUSE OF REPRESENTATIVES

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- Member**
Health and Human Services
- Member**
Joint Committee on Information Technology
- Member**
Health Care Stabilization Committee

March 20, 2008

Testimony before the Kansas Senate Transportation Committee
By Representative Jim Morrison

Thank you, Chairman Donovan and members of the Transportation Committee, for allowing me to appear *in support* of **HB 2704**, also known as the "In God We Trust" personalized license plate bill.

This legislation allows for issuance of personalized license plates like the one below to be issued after January 1, 2009:



S-Transportation
Committee
3-20-08
Attachment 1-1

In talking with Carmen Alldritt, she and I agreed that this may be the best-selling personalized license plate in Kansas. For that reason, the fiscal note is positive in that all of the money for the sale of this plate goes to the state, not to any organization.

I am not certain just how much money the plate might generate, but, in my opinion, \$2 million is within reason. No other license plate brings this kind of money to the state of Kansas. For that reason, Mr. Chairman and members of the Committee, and due to the overwhelming support for this plate that I have received from constituents and others around the state, I strongly recommend that you unanimously report this bill favorably for passage.

I'll stand for questions.

A handwritten signature in cursive script, appearing to read "Jim Morrison".

Representative Jim Morrison
121st District

STATE OF KANSAS



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MEMBER: AGRICULTURE
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FEDERAL AND STATE AFFAIRS
JOINT COMMITTEE ADMINISTRATIVE
RULES AND REGULATIONS

March 20, 2008

Thank you, Chairman Donovan and members of the Senate Transportation Committee, for allowing me to appear in support of HB - 2704, the "In God We Trust" license plate.

Support for this license plate has been overwhelming while touring the 40th district these past three weekends. I strongly recommend that you report this bill favorably for passage and I will answer any questions at appropriate time.



S. Transportation Committee
3-20-08
Attachment 2



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Testimony In Support of Substitute for HB 2725

John J. Federico

On Behalf of The NVPA

Senate Transportation Committee

March 20, 2008

I am pleased to appear before you today in support of Substitute for HB 2725. I appear on behalf of the National Vehicle Protection Association. I have with me today, Victor Smith, Executive Director and General Counsel of the NVPA. We are appreciative of the opportunity to work with Don McNeely of the Kansas Automobile Dealer's Association and put forth a bill that establishes much needed regulatory certainty as it pertains to the oversight of the sale of automobile anti-theft products.

In short, Substitute for HB 2725 would simply ensure a viable market of vehicle protection products at reasonable prices by preventing the product's warranty from being regulated as an insurance product.

The products covered by the proposed legislation are anti-theft products with warranties. The products deter the theft of vehicles, assist in the recovery if stolen. And, in the case of product failure, the product warranty protects consumers from losses associated with the theft to the extent that the consumer's loss exceeds the vehicle's insurance coverage.

The need for the legislation centers on the fact that anti-theft product marketers have encountered claims that the products' warranties constitute insurance products and therefore should be regulated as insurance. These claims, although unfounded, create uneasiness and uncertainty for our vendors, which are typically automobile dealerships.

Substitute for HB 2725 would provide the necessary regulatory certainty for our vendors and for that matter, the consumer. To date, 22 other states have enacted similar legislation preventing the over-regulation of the sale of such products.

As mentioned, the NVPA worked closely with the KADA to construct a bill that is palatable to both entities. Additionally, we submitted the bill to the Department of Insurance for their review and they are comfortable that the warranties that accompany these products are not insurance and should not be regulated as such.

Left out of the bill as it came over from the House, is language that provides further clarification of acceptable consumer protection provisions that may be part of the vehicle protection product warranty contract. We ask that the committee adopt the proposed amendments.

We are hopeful you will support Substitute for HB 2725 with the attached amendments. I am happy to stand for questions.

S-Transportation Committee
3-20-08
Attachment 3

Prepared by Revisor of Statutes Office
Bruce Kinzie

March 20, 2008

S-Transportation Committee
3-20-08
Attachment 4.1

Section of Statutes

Substitute for HOUSE BILL No. 2725

By Committee on Transportation

2-22

9 AN ACT relating to vehicle protection products; providing exemption
10 from insurance laws.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. (a) As used in this section:

14 (1) "Vehicle protection product" means a vehicle protection device,
15 system or service that is:

16 (A) Installed on or applied to a vehicle;

17 (B) is designed to prevent loss or damage to a vehicle from a specific
18 cause; and

19 (C) includes a written warranty.

20 For purposes of this section, the term vehicle protection product shall
21 include, without limitation, alarm systems, body part marking products,
22 steering locks, window etch products, pedal and ignition locks, fuel and
23 ignition kill switches and electronic, radio and satellite tracking devices;

24 (2) "vehicle protection product warranty" or "warranty" means a writ-
25 ten agreement by a warrantor that provides if the vehicle protection prod-
26 uct fails to prevent loss or damage to a vehicle from a specific cause, that
27 the warrantor will pay to or on behalf of the warranty holder specified
28 incidental costs as a result of the failure of the vehicle protection product
29 to perform pursuant to the terms of the warranty.

30 (b) Vehicle protection products are not required to comply with and
31 are not subject to any provisions of chapter 40 of the Kansas Statutes
32 Annotated, and amendments thereto.

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

;
(3) "incidental costs" means expenses specified in the warranty incurred by the
warranty holder related to the failure of the vehicle protection product to perform
as provided in the warranty. Incidental costs may include, without limitation,
insurance policy deductibles, rental vehicle charges, the difference between the
actual value of the stolen vehicle at the time of theft and the cost of a replacement
vehicle, sales taxes, registration fees, transaction fees and mechanical inspection
fees; and
(4) "warrantor" means a person who is contractually obligated to the warranty
holder under the terms of the vehicle protection product warranty agreement.
Warrantor does not include an authorized insurer providing a warranty
reimbursement insurance policy.

(c) The adoption of this section does not imply that a vehicle protection product
warranty was insurance prior to July 1, 2008.

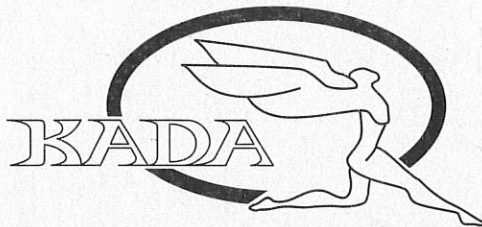
See Attachment #1 z2725t1

Renumber remaining section accordingly

"Sec. 2. (a) Incidental costs may be reimbursed under the provisions of the vehicle protection product warranty in either a fixed amount specified in the warranty or sales agreement or by the use of a formula itemizing specific incidental costs incurred by the vehicle protection product warranty holder.

(b) A vehicle protection product seller or warrantor may not require as a condition of financing that a retail purchaser of a motor vehicle purchase a vehicle protection product.

(c) The failure of any person to comply with this section prior to July 1, 2008, shall not be admissible in any court proceeding, administrative proceeding, arbitration or alternative dispute resolution proceeding and may not otherwise be used to prove that the action of any person or the affected vehicle protection product was unlawful or otherwise improper.



KANSAS AUTOMOBILE DEALERS ASSOCIATION

March 20, 2008

To: The Honorable Les Donovan, Chair
And Members of the Senate Committee on Transportation

From: Don McNeely, KADA President *DM*

Re: Substitute for HB 2725 - An Act relating to vehicle protection products;
providing exemption for insurance laws.

Good morning Chairman Donovan and Members of the Senate Committee on Transportation. I am submitting this written testimony on behalf of the Kansas Automobile Dealers Association in support of the Substitute for HB 2725, which clarifies that vehicle protection products are not contracts of insurance, but warranty products.

Many automobile dealers in Kansas, market various types of theft deterrent systems from alarm and security labeling systems to GPS tracking devices. It has been proven that vehicles with theft deterrent systems are less likely to be stolen for a variety of different reasons. The majority of these security systems are sold with limited warranties with a cash benefit to cover some of the expenses resulting from a motor vehicle theft. In addition, many property casualty insurance companies offer premium discounts for vehicles equipped with a security system, due to the fact, they have been found to deter thieves and aid law enforcement in vehicle recovery.

On behalf of the members of the Kansas Automobile Dealers Association, I thank you for the opportunity to present these comments in support of the Substitute for HB 2725.



The Benefits of Public Transportation **March 20, 2008**

The Kansas Public Transit Association (KPTA) has more than 180 non-profit, rural, urban agencies and business members whose focus is to deliver the best service possible throughout our state. Public transportation in Kansas consists of a variety of services including buses, trolleys and para-transit services for the general public, senior citizens, and citizens with disabilities. Based on our most recent statewide numbers, transit providers employ more than 1,500 transit professionals, utilize more than 980 vehicles, and provide nearly 10 million trips annually with growing demand far outpacing our ability to deliver service.

◆ Transit plays a huge role in mitigating rising fuel costs. ◆ Transit is a key contributor in helping to decrease roadway congestion. ◆ Transit is a major player in addressing human service needs for our disabled and aging population. ◆ Transit helps to reduce the stress and demand on highway and street infrastructure. ◆ Transit contributes to the preservation of our environment. ◆ Transit supports the Kansas economy. ◆ There is a sizable return on investment on transit projects. ◆ The American Public Transportation Association (APTA) says every dollar invested in transit generates \$4.00 to \$9.00 in local economic activity.

Fuel costs are near all time highs, with a gallon costing \$1.00 more today than twelve months ago. Some financial analysts say fuel costs will reach \$4.00 a gallon later this year. Rising fuel costs force people to consider other transportation options. Transit systems throughout Kansas have benefited by experiencing dramatic increases in ridership. However, rising fuel costs have also had a negative impact on transit systems. They struggle to keep pace with growing demand while their operating budgets are adversely impacted, making it difficult to put more service on the street.



According to the Long Range Transportation Plan completed by Kansas Department of Transportation, the cost to meet the demand estimate of 20 million public transit rides annually would be nearly \$160 million, far exceeding the estimated \$37 million in revenue (federal, state and local funding sources) available today. Transit

will require a larger commitment from all levels of government, Federal, State and local, as the needs of Kansans for public transit expand. This year, only 15 cents of every federal tax dollar collected for the transit trust fund is returned to Kansas. Since Kansas is a donor state in the payment of motor fuel taxes, we have urged our Congressional leaders to evaluate the amount of tax we pay into the Mass Transit Account and to advocate for a greater return to Kansas. *Thank you for your attention to and consideration of these matters.*

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