

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 16, 2004 in Room 241-N of the Capitol.

All members were present except:

Representative Rick Rehorn- absent

Committee staff present:

Jerry Ann Donaldson, Legislative Research Department

Norm Furse, Revisor of Statutes

Renae Jefferies, Revisor of Statutes

June Evans, Committee Secretary

Conferees appearing before the committee:

Senator Ruth Teichman

Delores Dalke, Hillsboro, Kansas

Ann Christian, Broker/Owner ERA Ann Christian Linda

Conderman Real Estate, Manhattan, KS

Bill Yanek, Director of Governmental Relations

Roy Worthington, Manhattan

Tom Palace, Executive Director of the Petroleum Marketers
and Convenience Store Association of Kansas

Others attending:

See Attached List.

The Chairman called the meeting to order and opened the hearing on **SB 66 - Title insurance, prohibiting certain actions.**

Staff gave a briefing on **SB 66** stating it was introduced in the 2003 Senate Financial Institutions Committee and passed the Senate last year. There would need to be some technical changes, changing the date in lines 11 and 14 to 2003. On page 8, line 15, not more than 80% replaces the 20% in the current law. Section 2 is new language. The fiscal note prepared by the Division of the Budget indicates passage of the bill will increase the number of title insurance companies the Insurance Department will have to regulate; however, the Department would absorb any cost increase resulting from the bill.

Senator Teichman, a proponent for **SB 66** stated the Senate had been working on the bill last year and a lot during the summer. Saying there had been a lot of amendments, concern and unrest would be an understatement. This summer there were negotiations to try to arrive at a bill acceptable to both sides. They have done a good job trying to get it done. Am asking the committee to listen to the conferees and the agreement made. We are pleased they have come to an agreement and ask that you consider both sides of their testimony.

Delores Dalke, testified as a proponent to **SB 66**, representing the real estate brokers from the average-size counties in Kansas as to how the current controlled business bill affects the consumers in counties of less than 10,000 residents. The current law says that if the county has less than 10,000 residents, it is OK to be a real estate broker and own an interest in a title insurance agency; however, as soon as the population goes over 10,000, then a broker cannot own a title agency. Marion County has a population of 13,300, which makes it not large enough to support two full-time title agencies. If a real estate broker could own an agency as an ancillary business, it could help bring down costs for the consumer (Attachment 1).

Ann Christian, Broker/Owner ERA Ann Christian Linda Conderman Real Estate, testified in support of **SB 66**, stating Manhattan is a community with a population of approximately 47,000 plus an additional student population of approximately 23,000. According to our National Association, for each transaction that we close, our profit is \$150. It is very difficult to run a profitable real estate company in our current market.

Two years ago, there was only one title company in Manhattan. The majority of title orders for 145 Realtors in Manhattan went through this company. Then, a second title company owned by a local bank entered the market area. Immediately, the service became better, the attitudes more agreeable and the

CONTINUATION SHEET

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costs of title insurance and services went down. The consumer and the Realtor benefitted. Competition is good..

There is a proposal for compromise that would allow real estate agents to be a part of the title insurance business. Realtors own title companies in counties with populations less than 10,000 and it works. The Kansas Land Title Association's current President own a title company and is a licensed real estate broker and it works (Attachment 2).

Bill Yanek, Director of Governmental Relations, Kansas Association of Realtors, testified in support of **SB 66**, stating the law prevents real estate brokerages from creating and owning an affiliated title company. The 20% limitation is difficult, if not impossible to meet by requiring a controlled business title company to get 80% of its business from its competitors. Increasingly, consumers are demanding one stop shopping in real estate transactions. Affiliated business arrangements allow for one-stop shopping. Affiliated business arrangements also facilitate the bundling of services and providing of discounts to consumers.

Mr. Yanek listed the items that would be acceptable to the Kansas Association of Realtors as a compromise (Attachment 3).

Written testimony in support of **SB 66** was provided by Chris O'Day, President, Hutchinson Board of Realtors (Attachment 4).

Roy H. Worthington, Legislative Chairman, Kansas Land Title Association, testified on **SB 66**, stating he believed they had reached a compromise late last night with the Kansas Association of Realtors. Am encouraged that approval will be reached within 24 hours from management.

Staff stated there were two technical items on the bill that needed to be addressed. On Mr. Yanek's testimony pages 2 and 3 are turned around in order and the sections need to be renumbered (Attachment 5).

The Chairman stated the hearing would be suspended and would take up at a later date.

The Chairman opened the hearing on **HB 2928 - Motor fuel tax rates and prohibited acts and remedies for certain acts involving sales of motor fuel below cost.**

Thomas M. Palace, Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas, a proponent to **HB 2928**, provided a balloon amendment striking through page 6 and making New Section 5 on page 6 to New Section 1. Section 6 becomes Section 2. Section 3 is repealed and Section 4 is old Section 7. (G) is added to Section 1. The statute of limitations would be the same as in **HB 2330** (Attachments 6 & 7).

Representative Pauls moved and Representative Grant seconded to request a Substitute Bill be drafted with the amendments requested. The motion carried.

Marlee Carpenter, Vice President Government Relations, The Kansas Chamber, provided testimony in opposition of **HB 2928** (Attachment 8).

The meeting adjourned at 10:00 a.m. The next meeting will be March 17, 2004.