

Approved:

03-26-2012

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(Date)

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 AM on Monday, February 20, 2012 in 152-S of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Ken Wilke, Revisor of Statutes Office  
Marilyn Arnone, Committee Assistant

Conferees appearing before the Committee:

Judi Stork, Deputy Bank Commissioner  
Mitzi McFatrach, Kansas Advocates for Better Care  
John Frederico representing Health Care Compact Alliance

Others in attendance:

See attached list.

Chair Teichman opened the meeting and made the announcement that if anyone needed to record the meetings, they must get permission from the Chair first.

Chair Teichman opened the hearing on **SB 372–Kansas money transmitter act** and asked Melissa Calderwood to give an overview of the bill. **SB 372** was requested by the Office of the State Banking Commission and amends the money transmitter act. There were changes to definitions and changes to fee schedules. The bill gives the commissioner the manner to prescribe the form of the application for a license and establish non-refundable fees. The bill places additional restrictions on the types and amounts of permissible investments that a money transmitter would be required to maintain. The bill provides the State Bank Commissioner with

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additional authority to issue fines. The fiscal note indicates the amount of additional revenue would be tied to fees and fines received but indicated it could be over \$40,000 in FY 2013.

Judi Stork spoke in support of **SB 372**. Ms. Stork began by saying the Office of the State Bank Commissioner had regulated the business of money transmission since 1967. The number of money transmitters licensed has increased from 14 in 1993 to the current number of 61 which conduct money transmission business through 5,955 agents. The money services business has moved away from paper transactions to more online and ACH transactions. A large portion of growth is due to the consumer demand to transfer money out of the country. This increase in money transferred out of the country has led to higher scrutiny for compliance with the Bank Secrecy Act and requirements from Financial Crimes Enforcement Network. There is a need to ensure these money transmitter companies and their agents are not facilitating drug and terrorist transactions. Money regulation is different since 9/11/01. The Office of the State Bank Commissioner internally reassigned one FTE to oversee, examine and enforce the money transmitter act. Based on the review by the FTE comes the requesting of the changes in **SB 372**.

The Office of the State Bank Commissioner is trying to be proactive and have tools in place. The OSBC is asking for changes in permissible investments, fee structure, authority to regulate unlicensed activity, enforcement authority, restitution and prohibited acts. These proposed changes are in line with other states' laws. These changes were vetted with Money Services Roundtable which supports **SB 372**.

A big problem that **SB 372** addresses is unlicensed companies engaging in money transmission in the State and the OSBC has no enforcement ability to stop the business or require them to be licensed. In a new company, if there are issues, the only tool of enforcement is to revoke their license.

The need to expand regulatory oversight of money transmitter companies is to protect Kansas consumers. The OSBC asks for favorable support of the committee to allow the agency to perform their duties in a fair and reasonable manner. (Attachment 1)

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Ms. Stork offered an amendment to the bill. On page 6, line 17, the amendment changes the wording from “has the power to” to “after notice and an opportunity for a hearing, may.” (Attachment 2)

Diane Bellquist, General Counsel, and Robin Wilson, Regional Manager, Cash-Money Transmissions for the Office of the Bank Commissioner, stood with Ms. Stork to clarify questions from the Committee.

Ezra C. Levine, Money Services Round Table, offered written testimony in support of **SB 372**. (Attachment 3)

The Chair closed the hearing on **SB 372**

The Chair introduced some 4-H people who were visiting the Capitol today from her district- James Fitzsimmons and his father, Dean Fitzsimmons and Cole Fincham who is Senator Teichman’s grandson.

The Chair reopened **SB 373–Interstate health care compact**.

Mitzi McFatrigh testified in opposition to **SB 373**. The Advocates for Better Care is a not for profit organization whose mission is to improve long term care for elder and disabled Kansans. The KABC is concerned about the serious, negative impact this bill would have on elder Kansans. Previously the State did not implement laws to govern health care in nursing homes and it took the Federal Omnibus Budget Reconciliation Act to be the vehicle to reform nursing home care in 1987. If Kansas opts out of the federal Medicare and Medicaid programs and oversight, then Kansas opts out of reasonable health care standards and protections that benefit older Kansans. Elders who need long term care, their families and members of KABC are not supportive of this bill. (Attachment 4)

John Frederico appeared in full support of **SB 373**. **SB 373** asks to take an early, progressive step, to petition Congress to consider awarding the state of Kansas more say in setting health care policy for Kansans. The bill is a simple step towards asking Congress to change the

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governance of health care decisions, not what those health care decisions should be. Discussions about federal health care proposals or the future of Medicare are irrelevant to this bill. Perhaps discussion should be about whether health care decisions are best made by state legislatures, closer to home, close to the people and businesses whose lives and budgets are directly affected. By passing this Compact, Kansas will have a seat at the table and a chance for the voices of Kansas to be heard. (Attachment 5)

Melissa Calderwood offered a memorandum that addressed questions concerning the consideration of the Interstate Health Care Compact model law in other states. (Attachment 6)

The Chair closed the hearing on **SB 373**.

The Chair announced that **SB 372**, **SB 373** and **SB 273** will be ready for final action at the next meeting. She said **SB 349** is a complicated bill and may need to be referred to an Interim Committee. **SB 250** may be blessed.

The Chair adjourned the meeting at 9:30 AM. The next meeting will be February 21, 2012.