

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 15, 2006 in Room 234-N of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Debs McIlhenny, Kansas Trial Lawyers
John Klamann, Attorney
Doug Wareham, KBA
Terry Neher, U. S. Bank
Chuck Henry, Unified Government
Tom Franzen, Johnson Co. Finance Mgr.
Randall Allen, Exec. Dir. Kans. Assn Counties
Erik Sartorius, City of Overland Park
Don Molar, League of Municipalities
Matthew Goddard, Heartland Bankers' Assn.
Kathy Strunk, CBA of Kansas
John Fowler, First State Bank, Burlingame
Brian Vaubel, St. Marys State Bank, St. Marys, KS

Others attending:

See attached list.

The Chair welcomed everyone to the meeting.

The hearing continued on **(SB 512)** - An act enacting the silicosis claims act.

The Chair asked Debs McIlhenny, Kansas Trial Lawyers' Association, to continue her testimony. Ms. McIlhenny said the Kansas Trial Lawyers Association has grave concerns with **(SB 512)**. Proponents of **(SB 512)** are seeking sweeping changes to Kansas law despite their own testimony indicating that silicosis and silicosis litigation is not an issue in Kansas. She said the amount of silica in Kansas rock is so low that in some cases it is not measurable and the risk of exposure to silica is therefore low; there is little, if any, silicosis litigation in Kansas; and less than 1.1% mortality in Kansas is from silicosis.

Ms. McIlhenny said given the concerns raised by the proponents, and the additional concerns and implications of **(SB 512)**, we believe this issue requires more in-depth study and should be referred to an interim committee for further evaluation. (Attachment 1)

The Chair called on John Klamann, Attorney, Overland Park, Kansas, from the law firm of Klamann and Hubbard. He said it has been his privilege for the past 27 years to represent the victims of mixed dust diseases, primarily asbestos related diseases. He said he would like to speak about the specific provisions of this bill and give examples behind what Debs has said. We will start with the mixed dust definition in the proposed statute. It says, Silica is in one or more other fibrogenic dusts asbestos containing products in this state and everywhere else. Asbestos is a silicate so the question or concern is that this might be interpreted to include asbestos and a number of other dusts that use silicates. (Attachment 2)

The chair announced that the continued hearing on **(SB 512)** was closed.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on February 15, 2006 in Room 234-N of the Capitol.

Hearing on **(SB 264)** - concerning municipalities; relating to depositories for public funds

The Chair called on Doug Wareham, Kansas Bankers' Association. Mr. Wareham testified that KBA's fundamental belief regarding the investment of local public funds has been and continues to be that they should be invested locally where they can provide the greatest economic benefit for the community that initially produced those revenues. He said KBA believes the report presented to this committee last week by Mr. John Wong of Wichita State University substantiates that belief. Mr. Wareham said the changes proposed in Substitute **(SB 264)** will continue the long-standing Kansas policy of keeping public funds investments local, while still providing a wider array of investment options for communities served by financial institutions whose headquarters are not located in our state. (Attachment 3)

The Chair called Terry Neher, U. S. Bank, Topeka. Mr. Neher testified that the substitute for **(SB 264)** is the correct policy for Kansas with respect to local public funds investments. The substitute for **(SB 264)** will remove the question that various municipalities have had as to whether or not they can take advantage of the products and services U. S. Bank provides. This substitute bill will also create a level playing field for banks, large and small, by allowing more banks to bid to provide services to local governments in communities they already serve. The compromise will also give local governmental units more choices for banking services and will allow financial institutions to provide them with the best possible services. (Attachment 4)

The Chair called on Charles Henry, Director of Revenue, Wyandotte County, Kansas City, Kansas. Mr. Henry said this bill allows local governments to place money in any bank with a physical presence in the jurisdiction. This is a significant change from the current statutes which limited us to placing funds only in those financial institutions with a Kansas Charter or "main" office in Kansas.

Mr. Henry thanked the Kansas Bankers' Association for arranging a conference last summer on this issue and proposing the language currently included in this bill. He said his organization is very appreciative of their listening to the needs of local government in the development of this proposal. He said these changes are significant for our citizens and taxpayers. Mr. Henry said Unified Government of Wyandotte County, Kansas City, Kansas, strongly supports **(SB 264)**. (Attachment 5)

The Chair called Tom Franzen, Johnson County Government, to testify. Due to illness, Mr. Stewart Little represented Johnson County Government. Mr. Little said as currently proposed, **(SB 264)** proposes to remove the requirement that any "municipal or quasi-municipal corporation" utilize only depository financial institutions that have a Kansas state charter. The intent of this bill would be beneficial to taxpayers primarily because of the bill's impact on competition, he said. By restricting depository financial institutions to only those with a Kansas state charter, the current environment limits competition between financial institutions, potentially keeping costs of banking services high and yields on cash balances low, he said.

Mr. Little continued that current legislation limits choices regarding depository financial institutions. In light of the merger and acquisition activity within the financial services sector over the past decade, modifying the current legislation is a prudent step to allow governmental entities to conduct business at the lowest possible cost, thereby passing potential savings onto taxpayers in the form of a reduced mill levy. Mr. Little said Johnson County Government supports **(SB 264)**. (Attachment 6)

The Chair called on Randall Allen, Executive Director of Kansas Association of Counties. Mr. Allen said **(SB 264)** would allow counties to select any bank, savings and loan association or savings bank that has an office within the county as a depository for county funds, without regard to whether the bank is a federally chartered or state-chartered financial institution. Currently, only state-chartered banks are eligible to be depositories for county funds, which reduces the options that some of our counties have, he said. The current law particularly affects those counties with a very large fund balance because there are relatively fewer banks which can collateralize their deposits and service their needs.

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Mr. Allen thanked the Kansas Bankers' Association for convening a group of stakeholders last summer in an effort to work through this issue, which has long been a point of contention among our members, he said. We have reached this compromise, he said, which we think makes sense and which assists county commissioners and county treasurers in making the very best business decision they can make. Mr. Allen expressed the Kansas Association of Counties' support for **(SB 264)** (Attachment 7)

Mr. Erik Sartorius, City of Overland Park, testified that current law limits local units of government to dealing only with financial institutions chartered in the state of Kansas. While such a requirement may have been workable years ago, the reality of the global economy has greatly reduced the number of state-chartered institutions in the financial services industry. This artificial investment barrier for local governments does not protect the best interests of the taxpayer, he said. The State of Kansas recognizes the imprudence of limiting itself to state-chartered institutions, and no longer subjects itself to this limitation. Mr. Sartorius said the City of Overland Park appreciates the work of all parties in coming up with a compromise that meets the needs of cities in their investment of idle funds and the banking services they require. He said the League requests that the Substitute for **(SB 264)** be recommended for passage. (Attachment 8)

Mr. Don Moler, Executive Director, League of Kansas Municipalities, testified that **(SB 264)** accomplishes the goal of providing greater flexibility for cities, counties, and other local units of government by allowing taxpayer dollars to be maximized. Mr. Moler said the League believes **(SB 264)** will be beneficial for both large and small cities and their taxpayers. Specifically, allowing banks which are not chartered in Kansas to bid on public monies would reintroduce competition into the state banking market and thus allow local units to maximize the return on the public's tax dollar. He said the League fully supports the compromise found in **(SB 264)** and hopes the Committee will report the bill favorably. (Attachment 9)

Those submitting written testimony in support of **(SB 264)** were: Matthew Goddard, Heartland Community Bankers Association; Dennis F. Schwartz, President, Kansas Rural Water; Jim Edwards, Kansas Association of School Boards and Michael D. Stevens, Chairman, KBA. (Attachment 10)

Those submitting written testimony in opposition to **(SB 264)** were: Kathy Patton Strunk, CBA; John Fowler, President, First State Bank of Burlingame; and Brian L. Vaubel, President, St. Marys State Bank. (Attachment 11)

The meeting adjourned at 10:30 a.m.