

SESSION OF 2012

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE SUBSTITUTE FOR SENATE BILL NO. 287**

As Agreed to May 8, 2012

Brief*

House Sub. for SB 287 would make several changes to the laws governing financial services in Kansas, including: the regulation of credit unions in Kansas by amending share insurance coverage requirements and establishing a salary schedule for certain persons employed by the Kansas Department of Credit Unions; provisions in the Banking Code by revising and updating regulation of money transmitters (Kansas Money Transmitter Act), authorizing the fingerprinting and completion of criminal background checks for certain persons, and allowing the establishment of a salary schedule for certain positions in the unclassified service; and a statutory exemption to the Kansas Credit Services Organization Act.

Regulation of Credit Unions (Sections 1-3)

Private Share Insurance

Credit unions would be required to insure shares through the National Credit Union Share Insurance Fund (NCUSIF) or its successor. A credit union also would be permitted to do all things necessary to obtain, continue, pay for, and terminate private insurance coverage of its shares and share certificates in excess of the coverage provided by the NCUSIF. The private insurer providing excess share

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insurance coverage would be required to be approved by the Insurance Commissioner.

The bill would clarify that the application for NCUSIF insurance must be filed with the Kansas Department of Credit Unions and then forwarded to the National Credit Union Administration.

The bill would repeal KSA 17-2250 through 17-2259, KSA 17-2261, and KSA 17-2265 through 17-2267. Under the current law, state-chartered credit unions are permitted to obtain share insurance through NCUSIF or private insurance (either an insurance company or a guarantee corporation). Under the bill, credit unions would be permitted to purchase excess share insurance from a private insurer.

Unclassified Service; Salary Schedule

The bill would grant the Administrator the authority to appoint financial examiners and an administrative assistant in the unclassified service. These persons would receive an annual salary fixed by the Administrator in accordance with an equitable salary schedule established by the Administrator and approved by the Governor for all unclassified positions. The provision authorizing the Administrator's appointments for these positions would not affect the classified status of any person employed with the Department on the day immediately preceding the effective date of this act.

The bill also would grant the Administrator, subject to appropriations, the authority to appoint financial examiners, financial examiner administrators, case managers, and a business manager within the Kansas Department of Credit Unions, as determined necessary by the Administrator. Each position appointed after the effective date of the bill would be in the unclassified service, would have special training and qualifications for the appointed position, would serve at the pleasure of the Administrator, and would receive compensation in accordance with an equitable salary

schedule established by the Administrator and approved by the Governor.

The Administrator would be required to prepare and maintain an equitable salary schedule for persons appointed in the unclassified service. The bill also would provide that the average of the amount of compensation in the salary schedule could not exceed the average compensation of corresponding state regulatory positions in similar areas. Under the bill, the salary schedule must be reported to the Credit Union Council on an annual basis.

Banking Code Amendments (Sections 4-15)

Updates to the Kansas Money Transmitter Act

The bill would add the definition of “agent” to the Act; the term would mean “an entity or person designated by the licensee, or by an exempt entity, to engage in the business of transmitting money on behalf of the licensee, or an exempt entity, at one or more physical locations throughout the state or through the internet.” The bill also would revise the definition of “permissible investments” to delete certain investment types, revise current investment types, and insert additional investment types including:

- Deposits in a demand or interest bearing account with a domestic federally insured depository institution, including certificates of deposits;
- Debt obligations of a domestic federally insured depository institution;
- Any investment bearing a rating of one of the three highest grades, as defined by a nationally recognized organization that rates such securities;

- Investment grade bonds and other legally created general obligations of a state, an agency, or political subdivision of a state, the United States, or an instrumentality of the U.S.; and
- Obligations that a state, an agency, or political subdivision of a state, the United States, or an instrumentality of the U.S. has unconditionally agreed to purchase, insure, or guarantee; and that bear a rating of one of the three highest grades, as defined by a nationally recognized organization that rates securities.

The bill also would update the definition of the term “person.”

Fee Structure

The bill would delete a provision that allowed the license application fee to be established by agency rules and regulations. Instead, the bill would allow the Commissioner to prescribe the form and manner for submission of the application. A nonrefundable fee for each agent and location, as established by the Commissioner, would be required to be submitted with the application and would be due annually on July 1. The Commissioner would be authorized to determine the amount of the fees, in order to provide sufficient funds to meet the budget requirements associated with administering and enforcing the Act for each fiscal year. “Each agent location” would be defined by the bill to mean “each physical location within the state where money transmission is conducted, including, but not limited to, branch offices, authorized vendor offices, delegate offices, kiosks and drop boxes.”

A license must be renewed by filing with the Commissioner a complete application and nonrefundable fees at least 30 days prior to expiration of the license.

Investigatory Powers

In addition to a current authority to examine books and records of persons operating in accordance with the Act, the bill would grant the Commissioner the authority, for the purposes of investigation, examination, or other proceeding under the Act, to administer oaths, subpoena witnesses and documents, take evidence, and require the production of any document that is determined to be relevant to the inquiry.

Enforcement Authority; Violations of the Act; Unlicensed Activity

The bill also would grant the Commissioner the power to issue an order to address any violation of the Act by:

- Assessing a fine against any person who violates this act, or rules and regulations adopted thereto, in an amount not to exceed \$5,000 per violation;
- Assessing the agency's operating costs and expenses for investigating and enforcing this act;
- Requiring the person to pay restitution for any loss arising from the violation or requiring the person to disgorge any profits arising from the violation;
- Barring the person from future application for licensure pursuant to the Act; and
- Requiring such affirmative action as in the judgment of the Commissioner which will carry out the purposes of this act.

The Commissioner would be permitted to enter into a consent order at any time with a person to resolve a matter arising under this act, rules and regulations adopted thereto, or an order issued pursuant to this act.

The bill also would allow the Commissioner to bring an action for injunctive relief to enjoin a violation (or a likely violation of the Act) or enforce compliance, regardless of whether or not criminal proceedings have been instituted. Any person engaging in activities that are regulated and require licensure under the Act would be considered to have consented to the jurisdiction of the courts of this state for all actions arising under the Act.

Disciplinary Action; License Revocation

The bill would expand the list of prohibited actions under the Act that could result in license revocation to include having:

- Filed a document or statement falsely representing or omitting a material fact;
- Concealed a fact or a condition exists which would clearly have justified the Commissioner's refusal to grant a license had the fact or condition been known to exist at the time the application for license was made;
- Engaged in any transaction, practice, or business conduct that is fraudulent and deceptive in connection with the business of money transmission;
- Advertised, displayed, broadcast, or televised any false, misleading, or deceptive statement or representation with regard to rates, terms, or conditions for the transmission of money;
- Failed to keep and maintain sufficient records to permit an audit to satisfactorily disclose to the Commissioner the licensee's compliance with the provisions of the Act; or

- Been the subject of any disciplinary action by this or any other state or federal agency.

The list of other prohibited acts also would include instances where a final judgment has been entered against the person in a civil action and the Commissioner finds the conduct (subject of the judgment) indicates it would be contrary to the public interest to permit the person to be licensed or in instances where the person has violated any order issued by the Commissioner, any provision of this act, any rule and regulation adopted thereto, or any other state or federal law applicable to money transmission.

Examination Reports

The bill would permit the Commissioner to accept an examination report or investigation report from another state or federal licensing agency, in which the accepted report is an official report of the Commissioner. Acceptance of the report, however, would not waive any fee required by this act.

Technical Corrections; Reorganization

The bill would make several technical amendments, including the reorganization of provisions in the existing Act.

Fingerprinting and Criminal History Record Checks of Certain Money Transmitters and Certain Trust Company Applicants

The bill would amend the Kansas Money Transmitter Act to permit the Bank Commissioner to require fingerprinting of any individual, officer, director, partner, member, shareholder, or any other person related to the application deemed necessary by the Commissioner. The bill would exempt applicants who are a publicly traded corporation or a subsidiary of a publicly traded corporation from the fingerprint check.

The bill also would allow, in instances where notice is given for the acquisition of a bank by a trust company, the Commissioner the authority (permissive) to require fingerprinting of any proposed officer, director, shareholder, or any other person deemed necessary by the Commissioner.

The bill would permit the State Banking Board to require fingerprinting of any officer, director, incorporator, or any other person of the proposed trust company related to the application deemed necessary by the Board.

The bill would allow the submission of an applicant's fingerprints to the Kansas Bureau of Investigation and the Federal Bureau of Investigation for a state and national criminal history record check. The fingerprints would be used for the purposes of identifying the person and determining whether the person has a record of arrests and convictions in Kansas or other jurisdictions. The Commissioner or Board would be permitted to use this information for the purposes of verifying the identification of the person and in the official determination of the qualifications and fitness of the person, or in the case of a trust company, the persons associated with either the notice of acquisition of a trust company or the applicant trust company to be issued a charter. The bill would require that all costs associated with the fingerprinting and criminal background checks be paid by the applicant or the parties to the application.

***Unclassified Service; Salary Schedule - Office of the State
Bank Commissioner***

The bill would grant the Commissioner authority to appoint certain positions in the unclassified service, subject to appropriations. Those positions include case managers, examiners, and a business manager within the Office of the State Bank Commissioner. Under current law, the Commissioner only is allowed to appoint regional managers and financial examiner administrators.

The bill also would allow the Commissioner to establish an equitable salary schedule for all unclassified positions. The average of the salaries established by the Commissioner, however, would not be permitted to exceed the average compensation of corresponding state regulatory positions in similar areas. Under the bill, the salary schedule must be approved and be reported to the state Banking Board on an annual basis.

Kansas Credit Services Organization Act Exemption
(Sections 16-17)

The bill would amend the Kansas Credit Services Organization Act to clarify an exemption provision in the Act. Specifically, the bill would modify an existing exemption from the Act for individuals licensed to practice law in Kansas acting within the course and scope of such individual's practice as an attorney, by adding law firms of such individuals to this exemption from the Act.

The term, "law firm," would be defined to mean "a lawyer or lawyers in a law partnership, professional corporation, sole proprietorship or other association authorized to practice law; or lawyers employed in a legal services organization or the legal department of a corporation or other organization."

Under the current law, any person licensed to practice law in Kansas, when the person is acting within the course and scope of such person's practice as an attorney, is exempt from the Act.

The bill would be in effect upon publication in the *Kansas Register*.

Conference Committee Action

The Conference Committee agreed to the House amendments to the bill and agreed to amend credit union provisions in the bill to:

- Delete the word "geographic" to clarify the comparable area to be used by the Administrator when creating an equitable salary schedule for unclassified positions;
- Further amend, and restate in a separate provision, the salary schedule criteria established by the bill to clarify compensation for certain employees is to be in accordance with an equitable salary schedule established by the Administrator and to require approval of the schedule by the Governor and delete language that would have required financial examiners and administrative assistants appointed after July 1, 2013, to be in the unclassified service; and
- The Conference Committee also agreed to update the effective date of the provisions regulating credit unions and the establishment of a salary schedule by the Credit Union Administrator upon publication in the *Kansas Register*.

The Conference Committee agreed to insert the contents of H. Sub. for SB 315 (enrolled version of the bill, subsequently vetoed by the Governor on April 12, 2012). The Conference Committee agreed to amend provisions authorizing establishment of a salary schedule further by:

- Deleted amendments to KSA 75-2935b (would have specifically exempted certain employees of the Office of the State Bank Commissioner, from certain salary and compensation requirements on the unclassified service);
- Amended and restated in a separate provision that the salary schedule criteria established by the bill to clarify compensation for certain employees is to be in accordance with an equitable salary schedule established by the Bank Commissioner and to require approval of the schedule by the Governor.

The Conference Committee agreed to insert an amendment to the Kansas Credit Services Organization Act (HB 2793, as amended by the House Committee on Financial Institutions).

As a result of the Conference Committee actions, the title of the bill has been updated.

Background

House Sub. for SB 287. The House Committee on Financial Institutions recommended a substitute bill to incorporate the provisions of SB 287, as amended by the Senate Committee on Financial Institutions and Insurance and further amended by the House Committee, and provisions relating to unclassified positions and establishment of an equitable salary schedule by the Administrator, Kansas Department of Credit Unions (SB 431, as recommended by the Senate Committee, and further amended by the House Committee).

The House Committee made a technical amendment to the provisions of SB 287 to delete a statute that was restored to existing law by a Senate Committee amendment. The House Committee also amended SB 431 to clarify the compensation provisions for unclassified positions established by the equitable salary schedule. The substitute bill would be effective upon publication in the statute book; SB 431, as recommended by the Senate Committee would have been effective upon publication in the *Kansas Register*.

SB 287 was introduced at the request of the Administrator, Kansas Department of Credit Unions, who testified that a requirement enacted by the Kansas Legislature in 1992 required credit unions to insure their members' shares (deposits) with insurance provided by the NCUSIF. The NCUSIF standard maximum share insurance amount is \$250,000 (permanently established in the Dodd-Frank Wall Street Reform and Consumer Protection Act) and

is backed by the full faith and credit of the U.S. Government. The Administrator noted amending and repealing sections of the credit union law will remove language that is not used and is unnecessary. The Administrator later appeared before the Committee to request consideration of an amendment providing authority to appoint certain agency positions in the unclassified service.

A representative of the Kansas Credit Union Administration (KCUA) appeared in opposition to the bill at the Senate Committee hearing and requested an amendment to allow credit unions the ability to utilize excess share insurance. The representative also requested restoration of stricken language addressing disclosure of confidential information to a private insurer, stating "private insurers" could be interpreted to mean a wider variety of entities, including bonding companies providing coverage for losses to credit unions. The representative indicated that if the amendments were adopted, the KCUA would hold a neutral position on the bill.

The Senate Committee on Financial Institutions and Insurance recommended amendments to allow for the purchase of excess coverage for share insurance through a private insurer and to restore a disclosure provision in the current law.

SB 431 was introduced by the Senate Ways and Means Committee. The Credit Union Administrator testified in support of the bill, stating the current classified system has failed to sustain the salary levels of the Kansas Department of Credit Union's staff at a competitive and reasonable level. The Department, the Administrator indicated, continues to fall further behind in its compensation for its existing classified examiners resulting in, over the past five years, the loss of three experienced examiners to the agency that supervises and charters federal credit unions. The Administrator highlighted a recent salary study comparing the salaries of financial examiner principals employed by the Department with the most experienced field examination staff of

regulators in the surrounding states, Iowa, and Texas, as well as the federal regulator. The Administrator noted any movement from the classified service to the unclassified service by any existing employee would be voluntary and the Department would phase the salary increases in over a two-year period to minimize the effect on fees assessed to credit unions. A representative of the KCUA spoke in support of the bill, citing KCUA's support of a strong state charter option for credit unions in Kansas (under the dual chartering system for credit unions) and further stating that having a state regulatory agency with the resources it needs to hire and retain experienced examiners is an important piece of the state charter option. There were no opponents to the bill at the time of the Senate Committee hearing.

House Sub. for SB 315. The House Committee on Financial Institutions recommended a substitute bill to incorporate the provisions of SB 315, as amended by the Senate Committee on Financial Institutions and Insurance, and further amended by the House Committee; Sub. for SB 64, as recommended by the Senate Committee, and further amended by the House Committee; and SB 372, as amended by the Senate Committee and further amended by the House Committee.

The House Committee amended SB 315 to clarify the compensation provisions for unclassified positions established by the equitable salary schedule. The House Committee also amended Sub. for SB 64 to conform the amendment to language used in other similar bills and an amendment suggested by the Kansas Bureau of Investigation. The creation of the substitute bill also updated the publication date from publication in statute to publication in the *Kansas Register*, for provisions associated with fingerprinting and criminal history record checks (Sub. for SB 64) and updates to the Kansas Money Transmitter Act (SB 372).

SB 315 was introduced at the request of the Office of the State Bank Commissioner (OSBC). The Bank

Commissioner testified the agency has tried unsuccessfully for many years through the current classified system to increase and sustain the salary levels of its examination staff at a competitive and reasonable level. The agency, however, continues to fall further behind in its compensation for these individuals which has resulted in the loss of some experienced examiners. The Commissioner outlined results from a survey conducted by the OSBC of state and federal financial regulatory agencies to determine compensation for those agencies' experienced examiners. The Commissioner also stated any movement from the classified service to the unclassified service by existing employees would be strictly voluntary. A representative of the Kansas Bankers Association (KBA) appeared in support of the bill, stating this change is warranted to ensure the retention of experienced bank examiners. A member of the State Banking Board also provided comments in support of the bill at the Senate Committee hearing, noting the need for examiners who have local experience and knowledge of local conditions.

The Senate Committee on Financial Institutions and Insurance recommended an amendment to require reporting of the salary schedule to the State Banking Board on annual basis.

Sub. for SB 64. The Senate Committee on Financial Institutions and Insurance recommended the adoption of a substitute bill. The substitute bill incorporates some provisions of the bill, as introduced, with the following exceptions: deletes fingerprinting and criminal background check requirements on applicants for a new bank charter or applicants acquiring a bank or bank holding company and inserts an amendment to exempt applicants who are publicly traded corporations from the requirements for money transmitters. The Senate Committee deleted "shareholder" from the list of individuals subject to the fingerprint check in the provision applicable to new trust company applicants and also made technical corrections to the submitted balloon amendment.

The bill was introduced at the request of the OSBC whose representative indicated at a 2011 Senate Committee hearing that the Commissioner or State Banking Board, prior to acting on certain applications (specified in the bill), is required to conduct a thorough review of an applicant's character and qualifications, their general business experience, activities and affiliations, their financial standing, any legal proceedings of which the applicant is a party to, and any criminal indictments or convictions. Allowing the agency the ability to perform fingerprint checks, on an as-needed basis, the representative continued, would enhance the agency's ability to meet the statutory requirements. The representative also noted that the Kansas Bureau of Investigation has advised the agency that in order to do a complete check of all criminal records throughout the United States, the agency would need to access the NCIC (National Crime Information Center) database and that requires individuals to be fingerprinted. A representative of the American Express Corporation offered neutral testimony to the bill stating that the fingerprinting requirements are not needed for publicly traded corporations under the federal securities law enforced by the U.S. Securities and Exchange Commission (these corporations are subject to Regulation S-K, 17 CFR Part 229). Other states with fingerprinting requirements, the representative noted, have exempted publicly traded corporations for many years and there have been no issues. There were no opponents at the time of the Senate Committee hearing.

Following the conclusion of discussion on the bill, the Senate Committee on Financial Institutions requested the Legislative Coordinating Council approve an interim study of the fingerprinting and criminal history record checks in the bill and another bill in the Committee (amendments to SB 71). The topic was approved and assigned to the Special Committee on Financial Institutions and Insurance. The Special Committee recommended the Senate Committee schedule a hearing on SB 64 (including the amendments submitted by the OSBC and the amendment to exclude publicly traded corporations and their subsidiaries from

fingerprinting and background checks) at a date that would allow time for consideration during the 2012 Session by the House Financial Institutions Committee. The Senate Committee held a hearing on the bill. The Deputy Bank Commissioner submitted an amendment to the bill that would remove the requirements associated with fingerprinting and criminal background checks from the bill and insert an amendment discussed during the 2011 hearing and interim. The official indicated that the agency would work with the Conference of State Bank Supervisors to facilitate dialogue on the federal level regarding the sharing of fingerprint results obtained for applications filed with the federal banking agencies. Written testimony in support of the bill was submitted by the Money Services Round Table (TMRST). Representatives of the Community Bankers Association and the KBA submitted written testimony neutral to the bill. The KBA representative indicated that the association was now neutral on the bill because the initial objections to the bill have been removed; the KBA would oppose any efforts to reinstate a fingerprint requirement for banks in the bill.

SB 372 was introduced at the request of the Office of the State Bank Commissioner. The Deputy Bank Commissioner indicated the agency currently licenses 61 money transmitter companies who conduct business through 5,955 agents; over time, the number of money transmitter companies has increased, and the nature of money services business has changed. The increase in the amount of money transferred out of the country, for example, has led to higher scrutiny for compliance with the Bank Secrecy Act and requirements from the Financial Crimes Enforcement Network (FinCEN). The representative noted the agency strives to keep up with industry changes and staff has reviewed other states' laws, including the model act by the Money Transmitters Regulatory Association, and the Uniform Money Services Act drafted by the National Conference of Commissioners on Uniform Law. Based on this review, the agency requested the amendments to the Act. Written testimony in support of the bill was submitted by the TMRST, an organization representing large, national non-bank money

transmitters. TMRST's statement indicated that, on balance, the proposed amendments to existing law provide a needed update consistent with provisions in transmitter licensing laws in other states. TMRST believes these changes, particularly those that deal with additional powers for the OSBC to take action against those that violate the law, are necessary to protect the public interest. There were no opponents to the bill at the time of the Senate Committee hearing.

The Senate Financial Institutions and Insurance Committee recommended an amendment to specify when, after notice and opportunity for a hearing, the Commissioner is permitted to issue an order. Similar requirements are found in existing law (the Commissioner's ability to revoke a license). A technical amendment also was made to the bill's title.

HB 2793. Note: The Kansas Court of Appeals' decision in *Consumer Law Associates, LLC et al v. Stork* (No. 106,115) affirmed the District Court's decision that "individuals who are licensed to practice law in Kansas are exempt from regulation by the OSBC (Office of the State Bank Commissioner). The OSBC exemption does not apply to a limited liability company or any other entity that is not licensed to practice law by the Kansas Supreme Court."

HB 2793 was introduced by the House Appropriations Committee. Representatives of Persels & Associates, LLC testified in support of the bill at the House Financial Institutions Committee hearing. The bill, one of the conferees indicated, was necessitated by a recent Kansas Court of Appeals' decision that the conferees believe is contrary to legislative intent. One of the conferees cited the interpretation of the Act's exemption by the OSBC as "the exemption (in the Act) applies only to an individual attorney and not a law firm." This interpretation, the conferee continued, is central to an enforcement action against Persels and further, the ruling of the Shawnee County District Court (2011) that was sustained by the Kansas Court of Appeals' ruling (March 23, 2012) has material impact on all attorneys and law firms in Kansas. As

a result, the conferee stated, this issue should be clarified by the Kansas Legislature before the actions of the OSBC are affirmed by a court of final jurisdiction. Written testimony in support of the bill was submitted by the Counsel for Persels & Associates, LLC and Consumer Law Associates, LLC (Redmond & Nazar, LLP) and the Managing Counsel for Hutton & Hutton Law Firm, LLC.

There were no opponents to the bill at the time of the House Committee hearing.

The House Committee on Financial Institutions amendment replaces references to “person” in the exemption for attorneys and, under the bill, law firms, with the term “individual.”

Fiscal Information. The fiscal note prepared by the Division of the Budget on **SB 287** states the Kansas Department of Credit Unions indicates the bill would have no fiscal effect on its operations or the operations of credit unions. The Department indicates credit unions have been required to purchase share insurance from the NCUSIF since 1992 and this bill would eliminate outdated language referring to private share insurance. The Insurance Department indicates the bill would have no fiscal effect.

The fiscal note on **SB 431** states the Department of Credit Unions indicates the bill would allow the agency to increase expenditures on salaries and wages by \$48,117 in FY 2013 and by \$51,726 in FY 2014. The additional expenditures, if authorized by an appropriation bill, would be from the Credit Union Fee Fund. The agency also indicates the additional salaries and wages would allow it to retain experienced examination staff, attract qualified candidates, and address significant salary gaps that exist between current salary levels and those of other financial regulatory agencies. Any fiscal effect associated with the bill is not reflected in *The FY 2013 Governor's Budget Report*.

The fiscal note prepared by the Division of the Budget on **SB 315**, as introduced, states that the OSBC indicates that the bill would allow the agency to increase expenditures on salaries and wages by \$122,351 in FY 2012 and by \$554,067 in FY 2013. The agency indicates that the additional salaries and wages will allow it to retain experienced examination staff, attract qualified candidates, and address significant salary gaps that exist between current salary levels and those of other financial regulatory agencies. The fiscal note continues, stating that *The FY 2013 Governor's Budget Report* includes additional expenditures for salaries and wages in the Office of the State Bank Commissioner's budget to allow the agency to reduce employee turnover and to retain its experienced examination staff by providing more competitive salaries and wages.

The fiscal note prepared prior to the 2011 hearing on **SB 64**, as introduced, states the OSBC indicates that the bill would have no fiscal effect on its operations. The agency indicates it would require less than ten applicants per year to submit to fingerprinting and criminal background checks (the bill requires applicants to pay all associated costs). The Kansas Bureau of Investigation indicates the fingerprinting and criminal background checks would be performed by existing staff and that the fees collected would be negligible and would be used to offset the costs associated with completing the criminal background checks. Any fiscal effect associated with the bill is not reflected in *The FY 2012 Governor's Budget Report*.

The fiscal note on **SB 372**, as introduced, states the OSBC indicates the bill would increase revenues to the State Bank Commissioner Fee Fund by \$40,670 in FY 2013. Under current law, the agency indicates it will collect approximately \$64,330 in application fees from money transmitters in FY 2013 and these fees are deposited in the State Bank Commissioner Fee Fund. However, the agency indicates the costs associated with enforcing the Money Transmitter Act are estimated to be \$105,000 for salaries and wages, travel costs, office space, equipment, and supplies. The bill would

allow the agency to collect adequate fees to offset the costs of administering and enforcing the requirements of the Money Transmitter Act. The agency is unable to provide an estimate of the amount of additional revenue that would be generated from the new authority to issue fines; however, the amount of additional revenue is expected to be negligible. Any fiscal effect associated with the bill is not reflected in *The FY 2013 Governor's Budget Report*.

Credit unions; Kansas Money Transmitter Act; criminal history record checks; salaries and the unclassified service; Kansas Credit Services Organization Act

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