

January 25, 2017

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 23 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 23 is respectfully submitted to your committee.

SB 23 would consolidate the prosecution of criminal fraud within the Office of the Attorney General. The Office of the Attorney General would be required to coordinate and cooperate to prevent, detect, investigate and criminally prosecute crimes related to insurance and securities. The bill would create the Fraud and Abuse Criminal Prosecution Fund within the Office of the Attorney General. On July 1 of each year or as soon as funds are available, \$200,000 from the Securities Act Fee Fund of the Office of the Securities Commissioner and \$200,000 from the Service Regulation Fund of the Kansas Insurance Department would be transferred to the Fraud and Abuse Criminal Prosecution Fund. The Office of the Attorney General may also apply for, receive and accept monies from other sources.

The bill would create the Office of the Securities Commissioner as a division within the Kansas Insurance Department and the Office would no longer be an individual agency. The Securities Commissioner would be appointed by the Commissioner of Insurance rather than the Governor but still subject to confirmation by the Senate. The Office of the Securities Commissioner would be required to cooperate with the Commissioner of Insurance regarding consolidating administrative functions and other efforts to provide efficiency.

SB 23 would create savings totaling \$650,000 in the Kansas Insurance Department and the Office of Securities Commission in FY 2018. Of the total amount, \$350,000 would be from the Kansas Insurance Department and \$300,000 would be from the Office of the Securities Commission. As required by the bill, \$400,000 would be transferred to the Office of the Attorney General for criminal fraud prosecutions, including \$200,000 each from the Kansas Insurance Department and the Office of the Securities Commission. The remaining total savings of \$250,000 is recommended in the Governor's budget to be transferred to the State General Fund and includes \$125,000 each from the Office of the Securities Commission and Kansas Insurance Department.

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For FY 2019, it is estimated that the bill could create total savings of \$900,000 in the Kansas Insurance Department and the Office of Securities Commission. Of the total savings, \$500,000 would be from the Kansas Insurance Department and \$400,000 would be from the Office of the Securities Commission. The Office of the Attorney General would continue to receive \$400,000 (\$200,000 from the Kansas Insurance Department and \$200,000 from the Office of the Securities Commission). The remaining efficiency savings of \$500,000 is recommended to be transferred to the State General Fund in the Governor's budget and includes \$250,000 each from the Office of the Securities Commission and Kansas Insurance Department.

The Office of the Attorney General would use the \$400,000 annual transfer for the salaries and wages and other operating expenses of 3.50 FTE positions to prosecute cases of insurance and securities fraud. The positions would include 3.00 Attorney FTE positions and 0.50 Legal Assistant FTE position. The fiscal effect associated with SB 23 is reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Willie Prescott, Attorney General's Office
Judi Stork, Banking
Glenda Haverkamp, Insurance
Steve Wassom, Office of the Securities Commissioner