



KANSAS
INSURANCE
DEPARTMENT

Vicki Schmidt, Commissioner

Proponent Testimony for SB 392 – Terminating transfer from Securities Act Fee Fund to the State General Fund

March 7, 2022

Chairman Johnson and Members of the Committee,

Thank you for the opportunity to testify in support of SB 392, which passed the Senate 34-0.

SB 392 seeks to update K.S.A. 17-12a601 by permanently repealing the statutory transfer of excess unencumbered amounts in the Securities Act Fee Fund at the conclusion of each fiscal year. SB 392 is in response to the now settled lawsuit *Blumer vs State of Kansas* where the Plaintiffs argued fees paid by securities registrants into the Securities Act Fee Fund are to be used for regulating the securities industry and not transferred to the State General Fund (SGF).

Historically, the Office of the Kansas Securities Commissioner, a division of the Kansas Insurance Department, has transferred approximately \$12 to \$13 million to the SGF each fiscal year. During the 2021 legislative session a two-year freeze of the annual sweep was enacted through the budget process, pending the final resolution of the lawsuit. In response to the temporary freeze of the transfer, the Kansas Insurance Department suspended collection of registration fees from July 1, 2021-June 30, 2022. The Department is currently undergoing a comprehensive fee study, along with surveying the securities industry, to determine the appropriate fees and services.

The Department respectfully requests passage of SB 392 to prevent reversion to the illegal fee sweeps. Thank you for the opportunity to submit testimony in support of SB 392 and I'm happy to take any questions.

Lee Modesitt
Director of Government Affairs and Communication