Community Bankers Association of Kansas

State Legislative Update Followed by Federal Issue Update

March 2, 2018

State Legislative Update

It was a short week of work for legislators who were off Monday and Tuesday and worked only Wednesday and Thursday before taking the weekend off. A heavy schedule begins next Monday.

Returning from the brief break, all eyes are on the tax and education committees as it is their work that will likely determine the length of the legislative session. The House Tax committee is scheduled to begin discussions around property taxes next week in an effort to see what type of increase members might be willing to accept. They also are exploring House Bill 2756 that increases internet sales tax collection. Many legislators are against passing any kind of tax increase this year because of the increase passed during the 2017 session. The House Tax committee also plans to discuss sales tax exemptions next week. The Senate Tax committee is focused on reviewing all phases of property taxes. Some would prefer to make budget cuts to free up increased revenue for schools. During the interim, committees heard testimony from various state agencies about what an 18 percent cut would look like to their budgets to bring in the estimated $600 million some believe is necessary to respond to the Court's order. Governor Colyer has also made his opinion on a tax increase clear telling the Legislature he did not want to increase the tax burden on Kansas families to satisfy the Court's decision on school finance.

Nonetheless, the Court expects some amount of additional funding to achieve adequacy. The education committees have scheduled briefings next week on school districts transportation aid, previous cost studies ordered by the state, and early childhood programs. They will also begin setting aside hearing time to begin working on a school finance bill to send back to the Court. They need to complete some response to the Court before the regular session adjourns on April 6th.

On a positive note, the state received good news from the Department of Revenue that February tax receipts came in $26 million above the monthly estimate. February marks the ninth consecutive month collections have come in above expectations. Revenue Secretary Sam Williams acknowledged the last few months' receipts seem to indicate businesses are making investments in the state and more goods and services are being purchased but urged the state to be patient for April receipts to accurately identify economic growth.

The House Financial Institutions and Pensions Committee will begin hearings on a slew of bills the Senate sent over. The House committee will be hearing next week about revisions to the money transmitter act and legislation incorporating savings and loan associations into the State Banking Code.

Five full weeks of tough work lay ahead as we near the end of the regular session with many unresolved issues.

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Federal Legislative Update

ICBA Offers Summary of S. 2155 Ahead of Senate Vote:

The Senate is expected to vote next week on pro-community bank legislation, the bipartisan Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155). Here's a rundown of how the measure would benefit local communities.

What's in the Bill:
The legislation, which passed the Senate Banking Committee in December on a strong bipartisan vote, includes numerous provisions from ICBA's pro-growth Plan for Prosperity platform to:

- provide "qualified mortgage" status for portfolio mortgage loans at most community banks,
- exempt certain community bank loans from escrow requirements,
- simplify community bank capital requirements,
- create a short-form call report for use in the first and third quarters by certain well-rated community banks,
- expand eligibility for the 18-month regulatory examination cycle to more community banks,
- ease appraisal requirements to facilitate mortgage credit in local, rural communities,
- exempt most community banks from the Volcker Rule,
- expand access to the Federal Reserve's Small Bank Holding Company Policy Statement to help more community banks build capital,

- improve regulatory treatment of reciprocal deposits and certain municipal securities, and
- provide relief for larger community banks, including higher asset thresholds for systemically important financial institution designations, and easing of stress testing and formal risk committee requirements.

Why S. 2155 Matters:
S. 2155 would stimulate local economic growth by providing much-needed community bank regulatory relief while preserving vital consumer protections and effective regulatory supervision. Main Street community banks are burdened by regulations designed for Wall Street institutions, which is fueling banking industry consolidation and leaving local communities with fewer financial services options.

A recent survey from the Federal Reserve and Conference of State Bank Supervisors found that community bank compliance costs have increased by nearly $1 billion in the previous two years to 24 percent of their net income. Of the respondents who said they considered an acquisition offer in the past year, virtually all (96.7 percent) cited regulatory costs.

Why Regulatory Relief Is Important:
Community banks are the economic lifeblood of local communities across the nation. While holding less than 20 percent of the nation's banking assets, community banks fund more than 60 percent of small-business loans and more than 80 percent of U.S. agricultural loans. Further, community banks operate in areas many other banks won't touch, serving as the only physical banking presence in nearly one in five U.S. counties, according to the FDIC.

Who Has Signed On:
S. 2155 enjoys broad bipartisan support from 26 co-sponsors, including 13 Republicans, 12 Democrats and one Independent. Senate Banking Committee Chairman Mike Crapo (R-Idaho) and committee Democrats Joe Donnelly (Ind.), Heidi Heitkamp (N.D.), Jon Tester (Mont.) and Mark Warner (Va.) spearheaded the legislation. Other co-sponsors include Sens. Bob Corker (R-Tenn.), Tim Scott (R-S.C.), Tom Cotton (R-Ark.), Mike Rounds (R-S.D.), David Perdue (R-Ga.), Thom Tillis (R-N.C.), John Kennedy (R-La.), **Jerry Moran (R-Kan.),** Jim Risch (R-Idaho), Dean Heller (R-Nev.), Roy Blunt (R-Mo.), Ben Sasse (R-Neb.), Tim Kaine (D-Va.), Angus King (I-Maine), Joe Manchin (D-W.Va.), Claire McCaskill (D-Mo.), Gary Peters (D-Mich.), Michael Bennet (D-Colo.), Christopher Coons (D-Del.), Thomas Carper (D-Del.), and Doug Jones (D-Ala.).

Want to Know More?
For a comprehensive look at ICBA and community banker advocacy on behalf of this legislation, visit ICBA's "Community Bankers Support S. 2155" webpage. For more information on what's in S. 2155, view ICBA's summary of the bill's key provisions by asset size.

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