



Community Bankers Association of Kansas Legislative Update

April 9, 2018

Overview

We are at the end of the 2018 regular session. The Legislature adjourned about 12:30 AM on April 8th. Resolution of a school finance agreement pushed the debate to the end of the session. The House and Senate agreed to a bill and sent it to the Governor. He has promised to sign it. Other policy issues are either completed, dead, or a few were carried over to the veto session that will begin on April 26th.

Big Picture Issues

A plan to increase funding for K-12 schools emerged from the House plan that will increase spending for districts by about \$100 million per year for the next five years. The bill's total increase of approximately \$522 million falls short of the recent cost study's recommended \$1- \$2 billion increase. Besides adding funding, the bill also attempts to address changes made in last year's school finance proposal that the Court said were inequitable. The bill was considered the only plan to satisfy the court without passing a tax increase. The House plan cost \$522 million over five years and the Senate plan was cheaper at about \$275 million with a few more policy changes. After several days of frustrating disagreement, the House adopted two small policy portions of Senate plan, added all their spending and policy issues, called the bill a compromise and passed it to the Senate in a Senate bill. All nine Democrats in the Senate and twelve moderate Republicans passed the bill early Sunday morning.

The revenue plan to fund the school finance bill and the rest of state government is less clear. For now, the school finance plan was approved on the premise of increased revenue collections rather than new revenue streams, except for a bill collection internet sales tax that has not yet passed either chamber. The Senate on the final day of the session passed a tax reduction bill that the House will consider when they return on April 26. Senate Bill 2228 could decouple Kansas tax law from the new federal tax law and allow claiming itemized deductions such as 100 percent of mortgage interest, property taxes, and charitable contributions. The bill would also increase the Kansas standard deduction from \$3,000/\$3,750 and \$7,000/\$9,300. The bill would provide tax reductions of over \$500 million over the next five years. The bill passed the Senate 24-16 and might see action in the House after April 26th, but some in the House see this bill as a part of the funding for the school finance plan.

The wrap-up session will be very short. It will begin on April 26 and conclude no later than May 4, which is sine die or the last day. The Senate set an extremely short time to wrap up many key issues including the budget and any revenue changes. The full Senate approved their budget bill and the House has not. Of course, the future depends on whether the Kansas Supreme Court accepts the school finance bill as sufficient to fulfill their expectations of adequacy. Briefs will be filed by April 30 and oral arguments on scheduled for May 22nd.

Financial Institution Issues

A variety of technical changes to financial institutions policy have been making their way through the process this session and most of them are resolved.

Senate Bill 335. Includes savings and loan associations and savings banks in the state banking code and repealing the savings and loan code.

- The bill would specify the activities in which a mutual state bank may engage. The bill would authorize a mutual state bank, subject to the terms of its articles of incorporation (articles) and bylaws, and rules and regulations of the State Bank Commissioner (Commissioner), to raise funds through deposit, share, or other accounts, including demand deposit accounts (referred to as “accounts”) and issue passbooks, certificates, or other evidence of accounts.
- Bill and Summary: http://www.kslegislature.org/li/b2017_18/measures/sb335/
- Passed Senate 39-0, passed House 122-1.
- Conference committee reached agreement, included the contents of Senate Bill 284 and passed the House. It is waiting for action in the Senate.

Senate Bill 284. Amending the Kansas money transmitter act. Contents now in Senate Bill 335.

- The bill would specify the State Bank Commissioner is allowed to issue an order, after notice and an opportunity for hearing, to address any violation of rules and regulations adopted pursuant to the Kansas Money Transmitter Act.
- Office of the State Bank Commissioner requested the bill.
- Bill and Summary: http://www.kslegislature.org/li/b2017_18/measures/sb284/
- Passed Senate 34-5.
- Included in conference committee on Senate Bill 335.

Senate Bill 283. Pertaining to trust companies and the office of the state bank commissioner

- Change the terminology from “common trust” funds to “collective investment” funds; update the notice requirements for acquiring control and change of control provided to the State Bank Commissioner; a bank or trust company undertaking a merger transaction, submit an application 60 days prior to the proposed change of control or merger transaction; Deputy Commissioner qualifications.
- Bill and Summary: http://www.kslegislature.org/li/b2017_18/measures/sb283/
- Passed Senate 39-0, House 122-0. Governor signed March 1.

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