



Community Bankers Association of Kansas

Legislative Update

March 15, 2019

Overview

Week nine of the 2019 Kansas Legislative Session has concluded, and it has been the busiest week of the session by far. Finally, there is movement on several issues Governor Kelly considers to be some of her top priorities, including school finance. There was also action on Medicaid expansion, though not the type of action the Governor likely had in mind.

On Wednesday the House Appropriations committee voted to strip funding for Medicaid expansion (and all Medicaid funding) from the Governor's budget recommendations for fiscal year 2020. The committee voted 13 to 9 to delete \$509.3 million, including \$14.2 million from the State General Fund in 2020 that would have funded expanding KanCare. On Thursday, the Senate Ways and Means committee voted to shift the \$14.2 million for Medicaid expansion to the healthcare improvement fund rather than Medicaid expansion. While these measures may seem disheartening to advocates of KanCare expansion, stripping Medicaid funding from the budget does not necessarily mean the conversation to expand Medicaid is over; advocates and many lawmakers are hopeful the discussion will continue in the closing weeks.

On Thursday the Senate voted 32-8 to pass the Governor's school finance bill, which addresses the state Supreme Court's adequacy concerns in the *Gannon VI* case. The plan, Senate Bill 142, adds inflationary costs to school funding, providing \$90 million dollars for the next four years. The plaintiffs, Schools for Fair Funding (SFF), although initially supportive of the bill, reversed course late in the game because the plan in fact does not go far enough. After re-crunching the numbers, SFF now believes that in order to fully address inflation, the costs should be compounded over the next four years. The bill passed the Senate and now heads to the House where they are currently working a bill that funds about \$50 million in base aid and includes several problematic policies including vouchers in House Bill 2395.

A variety of utility issues continue to work their way to a conclusion but one of the largest session issues is finally reaching a conclusion, although the outcome is still unknown. The Senate passed Senate Bill 22—the tax bill, or “windfall” legislation—on a 24-16 vote. The Governor is expected to veto the measure. This bill will reduce State revenue by \$500 million over the next four years. Other bills garnering attention this week included Senate Bill 32—the Farm Bureau bill—that would allow the organization to offer its own healthcare “products” not subject to the jurisdiction of the Kansas Insurance Commissioner. The bill was tabled in House Insurance committee on Wednesday, but there will likely be efforts in the coming week to revive the bill in some form or another. Another bill gathering a lot of attention this week was House Bill 2244 which would provide for the use of CBD oil for certain medical conditions. The House Judiciary committee heard from a few opponents (mainly law enforcement) and an overwhelming number of proponents advocating on behalf of children and family members who argued that CBD oil is a desired alternative to treat debilitating illnesses.

As we approach the end of the regular committee meetings, the number of issues continues to dwindle. There is still a lot for the legislature to be resolved before first adjournment on April 5th.

Legislation of Interest

Key bills still advancing include these three. None of the other financial institution bills are likely to advance:

- SB 22: Kansas itemized deductions, election, providing for deferred foreign income, global intangible low-taxed income, business interest, capital contributions and FDIC premiums income tax modifications
 - “Windfall” state tax policy changes in response to federal tax policy changes in 2017.
 - Includes FDIC premiums as deductions.
 - House added 1.0% reduction in sales tax on food and implementation of sales tax and use tax on some internet sales.
 - Senate concurred with House amendments on March 14 and the bill is headed to the Governor.
 - Governor can veto the bill, let it become law without her signature, or sign the bill.
 - Best summary can be found at:
http://www.kslegislature.org/li/b2019_20/measures/documents/supp_note_sb22_03_0000.pdf
 - Revenue impact of SB 22 is reflected in the following table showing reductions in revenue to the State and tax relief to individuals and business interests.

	(Dollars in Millions)		
	FY 2020	FY 2021	FY 2022
Individual Income Tax Provisions			
Itemized Deduction Option	\$ (50.1)	\$ (60.3)	\$ (60.9)
Business Income Tax Provisions			
Repatriation	\$ (10.5)	\$ (0.4)	\$ (0.2)
GILTI	(70.9)	(24.7)	(24.2)
Limitation on Interest Deductions	(53.1)	(25.5)	(30.6)
FDIC Premium Deductions	(2.7)	(1.3)	(1.3)
Capital Contributions	negligible	negligible	negligible
Subtotal-Business Income Tax	\$ (137.2)	\$ (51.9)	\$ (56.3)
Sales Tax Rate Decrease on Food			
(all funds)			
State General Fund Share	\$ (36.5)	\$ (55.4)	\$ (56.3)
State Highway Fund Share	(7.0)	(10.7)	(10.8)
Subtotal-Food Sales Tax Decrease	\$ (43.5)	\$ (66.1)	\$ (67.1)
Internet Sales Tax Provisions			
(all funds)			
State General Fund Share	\$ 18.2	\$ 27.7	\$ 28.2
State Highway Fund Share	3.5	5.4	5.5
Subtotal-Internet Sales Tax	\$ 21.7	\$ 33.1	\$ 33.7
TOTAL	\$ (209.1)	\$ (145.2)	\$ (150.6)
Total State General Fund Share	\$ (205.6)	\$ (139.0)	\$ (145.3)
Total State Highway Fund Share	(3.5)	(5.3)	(5.3)

- SB 82: Updating the state banking code.
 - Bill amends provisions of the State Banking Code (Code) relating to certificate of existence, voting rights for conversion to a state charter, and the method of delivery for certain notices.
 - Summary:http://www.kslegislature.org/li/b2019_20/measures/documents/supp_note_sb82_00_0000.pdf
 - Passed Senate, awaiting action on House floor.

- SB: 90: Extending the tax credit under the center for entrepreneurship act to financial institutions and increasing the annual tax credit limit for all contributors.
 - Bill would allow financial institutions to claim the Center for Entrepreneurship tax credit beginning in tax year 2019, which would be applied to the privilege tax owed. The maximum amount of tax credits that any taxpayer could claim would be increased from \$50,000 to \$100,000. The total amount of tax credits that could be claimed for all taxpayers would remain capped at \$2.0 million per fiscal year.
 - Summary:
http://www.kslegislature.org/li/b2019_20/measures/documents/supp_note_sb90_00_0000.pdf
 - Passed Senate, heard in House Committee, likely will pass to House floor for action before end of session.

Bill Number and Sponsor	Bill Subject	Current Status	Last Action
SB 22 Senate Federal and State Affairs Committee	Kansas itemized deductions, election, providing for deferred foreign income, global intangible low-taxed income, business interest, capital contributions and FDIC premiums income tax modifications	Pending enrollment	3/14/2019 - Senate - Concurred; Yeas 24, Nays 16 3/8/2019 - House - Final Action: Passed as amended; Yeas 76, Nays 43 3/7/2019 - House - Committee of the Whole: Committee Report be adopted; be further amended; be passed as amended
Related Bills:			
HB 2261: Provisions of HB 2261 added to SB 22 by House Committee			
HB 2352: Provisions of HB 2352 added to SB 22 by House Committee			
SB 82 Senate Financial Institutions and Insurance Committee	Updating the state banking code	On General Orders in House	3/14/2019 - House - Committee Report recommending bill be passed, by Financial Institutions and Pensions 3/6/2019 - House - Scheduled Hearing in Financial Institutions and Pensions: Monday, 3/11, 9:00 AM, Rm 281-N 3/6/2019 - House - Referred to Financial Institutions and Pensions

<p>SB 90</p> <p>Senate Commerce Committee</p>	<p>Extending the tax credit under the center for entrepreneurship act to financial institutions and increasing the annual tax credit limit for all contributors</p>	<p>In House Commerce, Labor and Economic Development</p>	<p>3/6/2019 - House - Scheduled Hearing in Commerce, Labor and Economic Development: Tuesday, 3/12, 1:30 PM, Rm 112-N</p> <p>3/6/2019 - House - Referred to Commerce, Labor and Economic Development</p> <p>2/28/2019 - House - Received and introduced</p>
<p>SB 216</p> <p>Senate Federal and State Affairs Committee</p>	<p>Allowing investment of state moneys in securities issued by Israel</p>	<p>In Senate Ways and Means</p>	<p>2/26/2019 - Senate - Referred to Ways and Means</p> <p>2/25/2019 - Senate - Introduced</p>
<p>HB 2101</p> <p>House Financial Institutions and Pensions Committee</p>	<p>Updating state credit union statutes</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>3/6/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Thursday, 3/14, 9:30 AM, Rm 546-S</p> <p>2/26/2019 - Senate - Referred to Financial Institutions and Insurance</p> <p>2/25/2019 - Senate - Received and introduced</p>
<p>HB 2173</p> <p>House Agriculture Committee</p>	<p>Establishing a commercial industrial hemp program</p>	<p>In House Agriculture</p>	<p>3/6/2019 - House - Withdrawn from Appropriations; rereferred to Agriculture</p> <p>2/27/2019 - House - Withdrawn from Calendar; referred to Appropriations</p> <p>2/26/2019 - House - Committee of the Whole: Be passed over and retain a place on the Calendar</p>
<p>HB 2254</p> <p>Tim Hodge, D-72nd</p>	<p>Requiring banks to make a minimum amount of subprime loans</p>	<p>In House Financial Institutions and Pensions</p>	<p>2/13/2019 - House - Referred to Financial Institutions and Pensions</p> <p>2/12/2019 - House - Introduced</p>

Health care and health plan legislation

We have monitored a variety of health care legislation that are seeking a variety of expanded health care products particularly through association health plans, short-term policies, and alternative coverage, in particular the Farm Bureau plan in SB 32. A chart of health care related legislation is included. The only two bills that may advance this session are Senate Bill 32 and House Bill 2054.

Senate Bill 32: Farm Bureau bill.

- The only bill likely to advance this session is SB 32, the Farm Bureau bill to provide authority for FB to create a health care product that is not insurance and subject to regulatory authority of the Insurance Commissioner and federal policy. Farm Bureau would be able to provide members a product (it cannot by law be called insurance) for an estimated 30-40 percent lower cost than regular insurance purchased on the open market. The plan intends to individually evaluate and rate members. Critics are concerned the plans are not required to cover pre-existing conditions and some services such as pharmacy and behavioral health services. The bill had strong support when it passed the Senate early in the session and in the House Insurance Committee, the bill has been tabled but will likely continue to advance later in the session.

House Bill 2054: Association Health Plans

- Bundle of bills including from below HB 2055, 2056, 2058.
- In brief, the bill would impact association health plans such as Kansas Bankers Association, Kansas Dental Association, and others.
- Note, association health plans, unlike the proposal in Senate Bill 32, are required to comply with federal insurance law and are subject to the regulation of the Kansas Insurance Commissioner.
- Among the key components are:
 - The bill would remove a membership limitation placed on AHPs that requires the association have at least 25 members, employees, or employees of members to be offered group accident and health insurance coverage.
 - Restate the purpose of association health plans to include: “promote the availability of health insurance coverage to small employers regardless of their health status or claims experience, to prevent abusive rating practices,
 - Would exempt AHPs from regulations by the Kansas Insurance Commissioner.
- Bill has not passed the House but has been approved for action until the end of the session.

Bill Number and Sponsor	Bill Subject	Current Status	Last Action
<p>SB 29</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Providing for fully-insured association health plans</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>1/23/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Wednesday, 1/30, 9:30 AM, Rm 546-S</p> <p>1/23/2019 - Senate - Referred to Financial Institutions and Insurance</p> <p>1/22/2019 - Senate - Introduced</p>

<p>SB 30</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Updating definitions relating to small employer health plans and association health plans</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>1/24/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Thursday, 1/31, 9:30 AM, Rm 546-S</p> <p>1/23/2019 - Senate - Referred to Financial Institutions and Insurance</p> <p>1/22/2019 - Senate - Introduced</p>
<p>SB 31</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Exempting certain association health plans from requirements pertaining to small employer health plans</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>1/30/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Tuesday, 2/5, 9:30 AM, Rm 546-S</p> <p>1/23/2019 - Senate - Referred to Financial Institutions and Insurance</p> <p>1/22/2019 - Senate - Introduced</p>
<p>SB 32</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Exempting certain non-insurance healthcare benefits from the commissioner's jurisdiction</p>	<p>In House Insurance</p>	<p>2/27/2019 - House - Scheduled Hearing in Insurance: Wednesday, 3/6, 3:30 PM, Rm 212-N</p> <p>2/22/2019 - House - Referred to Insurance</p> <p>2/21/2019 - House - Received and introduced</p>
<p>SB 33</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Specifying the conditions under which a small employer carrier may establish certain classes of business</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>1/23/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Thursday, 1/31, 9:30 AM, Rm 546-S</p> <p>1/23/2019 - Senate - Referred to Financial Institutions and Insurance</p> <p>1/22/2019 - Senate - Introduced</p>
<p>SB 34</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Exempting health plans issued to associations of small employers from certain statutory provisions governing small employer health plans</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>1/30/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Tuesday, 2/5, 9:30 AM, Rm 546-S</p> <p>1/23/2019 - Senate - Referred to Financial Institutions and Insurance</p> <p>1/22/2019 - Senate - Introduced</p>
<p>SB 35</p> <p>Senate Financial Institutions and Insurance Committee</p>	<p>Providing for short-term, limited-duration health plans</p>	<p>In Senate Financial Institutions and Insurance</p>	<p>1/30/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Wednesday, 2/6, 9:30 AM, Rm 546-S</p>

			1/23/2019 - Senate - Referred to Financial Institutions and Insurance 1/22/2019 - Senate - Introduced
SB 36 Senate Financial Institutions and Insurance Committee	Making certain self-funded association health plans subject to the jurisdiction of the commissioner	In Senate Financial Institutions and Insurance	1/23/2019 - Senate - Scheduled Hearing in Financial Institutions and Insurance: Wednesday, 1/30, 9:30 AM, Rm 546-S 1/23/2019 - Senate - Referred to Financial Institutions and Insurance 1/22/2019 - Senate - Introduced
SB 120 Senate Public Health and Welfare Committee	Providing for certain business entities to engage in the corporate practice of medicine	In Senate Public Health and Welfare	2/8/2019 - Senate - Referred to Public Health and Welfare 2/7/2019 - Senate - Introduced
HB 2053 House Health and Human Services Committee	Providing for short-term, limited-duration health plans	In House Insurance	1/30/2019 - House - Scheduled Hearing in Insurance: Monday, 2/4, 3:30 PM, Rm 212-N 1/23/2019 - House - Referred to Insurance 1/22/2019 - House - Introduced
HB 2054 House Insurance Committee	Providing for fully-insured association health plans	On General Orders in House	3/14/2019 - House - Committee Report recommending bill be passed as amended, by Insurance 3/6/2019 - House - Withdrawn from Appropriations; rereferred to Insurance 2/27/2019 - House - Withdrawn from Calendar; referred to Appropriations
Related Bills:			
HB 2055: Modified provisions of HB 2055 added to HB 2054 by House Committee			
HB 2056: Modified provisions of HB 2056 added to HB 2054 by House Committee			
HB 2058: Modified provisions of HB 2058 added to HB 2054 by House Committee			
HB 2055 House Insurance Committee	Making certain self-funded association health plans subject to the jurisdiction of the commissioner	In House Insurance	1/23/2019 - House - Scheduled Hearing in Insurance: Monday, 1/28, 3:30 PM, Rm 212-N 1/23/2019 - House - Referred to Insurance 1/22/2019 - House - Introduced

Related Bills:			
HB 2054: Modified provisions of HB 2055 added to HB 2054 by House Committee			
HB 2056 House Insurance Committee	Exempting health plans issued to associations of small employers from certain statutory provisions governing small employer health plans	In House Insurance	1/23/2019 - House - Scheduled Hearing in Insurance: Wednesday, 1/30, 3:30 PM, Rm 212-N 1/23/2019 - House - Referred to Insurance 1/22/2019 - House - Introduced
Related Bills:			
HB 2054: Modified provisions of HB 2056 added to HB 2054 by House Committee			
HB 2058 House Insurance Committee	Updating definitions relating to small employer health plans and association health plans	In House Insurance	1/23/2019 - House - Scheduled Hearing in Insurance: Wednesday, 1/30, 3:30 PM, Rm 212-N 1/23/2019 - House - Referred to Insurance 1/22/2019 - House - Introduced
Related Bills:			
HB 2054: Modified provisions of HB 2058 added to HB 2054 by House Committee			
HB 2059 House Insurance Committee	Exempting certain association health plans from requirements pertaining to small employer health plans	In House Insurance	1/30/2019 - House - Scheduled Hearing in Insurance: Monday, 2/4, 3:30 PM, Rm 212-N 1/23/2019 - House - Referred to Insurance 1/22/2019 - House - Introduced

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