



Community Bankers Association of Kansas

2020 Legislative Session Preview

January 14, 2020

Overview

The peace and restfulness of the holiday's fades, as the Statehouse slowly awakens from its seven-month slumber. Lawmakers and others are preparing for the 2020 Session that began Monday, January 13th. While the first day of Session is largely ceremonial, it kicks off what promises to be a fast and furious Session before lawmakers leave town again to spend the interim campaigning for re-election. We're anticipating the focus of the 2020 Session will include at the least the following: Medicaid Expansion, a number of potential constitutional amendments (concerning the right to an abortion as well as how Supreme Court justices are nominated), and a slew of new tax bills the Governor has vetoed in previous years as well as some new issues.

Our efforts in 2020 will focus on additional tax relief, in particular because of the healthy State tax collections and large budget balances. In terms of policy, we are watching the replacement Bill (yet to be numbered) for Senate Bill 238, the bill that would reduce the privilege fee on some financial institutions business to make community bank lending more competitive with other lenders who do not pay State taxes. The Joint Committee on Financial Institutions and Insurance heard SB 238 during the fall and recommended the full Senate consider action during the 2020 session. Currently, it is likely a hearing will be held within the next two weeks in Senate Financial Institutions and Insurance Committee. We will have more details as we get closer.

Additionally, there are organized efforts to pursue legislative changes that limit interest rates and the number of pay day loans that can be made. Kansans for Pay Day Loan Reform is active and will be seeking legislation this session. They are active on social media but do not have a bill introduced.

Big Picture Issues

Elections

- Every member of the House and Senate faces election this year. The Republican majorities will face a Democratic administration with a year's experience and campaigns, forcing votes on issues, and a political calculus will influence every decision this Session.
- Election considerations will impact all aspects of the session.

Medicaid Expansion

- Arguably the Governor's top priority for the 2020 Session is Medicaid expansion and supporters are hopeful Kansas will become the 37th state to expand Medicaid. The Governor's Council on Medicaid Expansion in mid-December forwarded a straight Medicaid expansion bill. The Senate Special Committee on Medicaid Expansion and the Senate Select Committee on Healthcare Access endorsed a complex plan that garnered

both support and opposition. The Senate plan included multiple waiver and components that had the potential to delay or stall outright expansion.

- On January 9th the Governor and Senate Republican and Democratic expansion supporters announced an agreement on a Medicaid expansion bill. The House passed expansion in 2019 and the Governor/Senate bill was 22 co-sponsors and 21 votes are needed to pass. The compromise means the chance for passage has increased.
- The agreement is a straight 90/10 federal/state-funded expansion to cover Kansans who earn up to 138% of the federal poverty level with no work referral and no lockouts.
- Details to the plan can be found here: <https://governor.kansas.gov/governor-senate-majority-leader-announce-compromise-proposal-to-lower-healthcare-costs-for-kansas-families/>
- The bill is Senate Bill 252 and can be found here: http://www.kslegislature.org/li/b2019_20/measures/documents/sb252_00_0000.pdf

State Supreme Court

- There have been several big announcements from the State Supreme Court as the session begins:
- Justice Marla Luckert becomes the second woman in the state's history to lead the Court as Chief Justice. Because the Court is presiding over a case brought by a group of judges accusing the State Legislature of chronically underfunding the state's Judicial Branch, Chief Justice Luckert withdrew from the opportunity to address the Legislature. Consequently, Luckert plans to ask the Legislature for \$20 million in 2020 to increase judicial salaries across the board.
- The Supreme Court has another new member, Justice Evelyn Wilson, who was appointed by the Governor and has received some pushback from conservative Republican lawmakers, as well as conservative groups such as Kansans for Life.
- Wilson's appointment has sparked continued conversation about changing the Supreme Court nomination process by constitutional amendment, from a merit selection process by the nominating committee, to a Senate confirmation of a Governor-appointed candidate.
- The lawsuit, funding issues, the abortion decision, and possible constitutional amendments will keep judicial selection and the Court front and center in 2020.

Taxes

- Besides Medicaid expansion, taxes will likely dominate the bulk of the 2020 Session.
- Together, the Kansas Chamber and Kansas Tax Foundation released the Tax Modernization Report, which made several recommendations, including removing international income from the tax base; allowing Kansans to itemize on state returns as well as federal returns; removing barriers to interstate commerce; and directing county appraisers on consistently and fairly appraising big-box retail properties. A summary of the report, as well as the full report, can be found here: <https://www.kansaschamber.org/taxmodernizationreportrelease/>

- Additionally, there will be renewed interest in the failed 2019 tax bills focusing on decoupling from the federal tax code, GILTE, itemized deductions, a food sales tax rebate, and more. Sales tax on remote retailers and establishing a minimum sales threshold will also be debated.
- Considering the dark store theory, the interoperates commercial valuation in favor of commercial owners but has stimulated ongoing conflicts with the Board of Tax Appeals, we expect property valuation and assessment to be heavily debated in the coming months. These commercial property taxes conflicts will get action this Session due to support from some to change the commercial valuation process.
- The Governor's Council on Tax Reform made several recommendations, including a food sales tax rebate, reinstating the LAVTRF (state funded tax reductions for local governments), taxing out-of-state retailers, as well as digital products such as e-books and music, providing a property tax lid exemption for local transportation projects, and better balancing income and property taxes.
- The potential impact of changes to tax policy will impact current and future budget actions the Governor and Legislature may take. Because 2020 is a legislative election year, it may become more difficult for legislators to oppose tax reduction bills, and less likely to override a gubernatorial vetoes of tax reduction bills.

KDOT Overhauls the State Transportation Plan

- KDOT is moving away from their precedent of a 10-year transportation plan and is instead embracing a more adaptive transportation plan that is responsive to the rapidly changing nature of transportation technology and trends. Instead of a plan that accounts for all projects up front, the plan will be updated every two years to include new projects. The new rolling model will accommodate a variety of projects, from rural rail projects to urban bike and pedestrian initiatives and projects involving drone technology. Over the next decade, KDOT plans to spend a minimum of \$8 million in each county on various projects. One of the department's biggest concerns is protecting the transportation fund money from transfers. To address this concern, one Republican lawmaker has proposed a constitutional amendment that would prevent any transfers from the state highway fund.
- It's most likely the next plan will begin to take shape following two years of interim work. There is significant pressure to fund first the outstanding balance of unfinished projects from the last T-Works plan costing \$500 million. The current total cost for the new plan is \$1.2 billion and is estimated to spend a total of \$10 billion over the next decade. The transition to a rolling 2-year plan versus a stagnant 10-year plan will help to safeguard funding for the program.

Eco-Devo

- We will likely see a variety of economic development bills addressing a range of issues from the impending expiration of STAR bonds to re-evaluating the where lottery revenue designated for economic development are invested. Both House and Senate Commerce committees will dive deep into this subject beginning this week.

Marijuana

- The Federal and State Affairs committees will likely take up the issue of legalizing medical marijuana. During the interim the Joint Committee on Federal and State Affairs held an informational hearing on the topic and learned about legalization of medical marijuana in surrounding states, including Missouri, Oklahoma, and Ohio. Committee members recommended further examination of Ohio's policies, as well as the need to dig deeper into the implications for financial institutions and law enforcement agencies.
- There are a list of concerns about marijuana from distribution of tax revenue to the distribution of treatment funding, zoning and local control issues, prohibitions against personal production, and questions about banking the marijuana industry.

Upcoming Activities

- The Governor's State of the State address is scheduled for 6:30 pm on Wednesday, January 15th and will provide a window into the Governor's budget and how she plans to address concerns about a potential recession, as well as projected revenue shortfalls in a few years.
- On Thursday, January 16th, the Governor's budget will be introduced to the Senate Ways & Means and House Appropriations committees.

Please let us know if you have questions.

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