



Community Bankers Association of Kansas

Legislative Update Report

November 30, 2020

Overview

The 2021 Session is fast approaching, and interim committees are wrapping up their work. This report provides a snapshot of key events over the last few weeks, links to some key information, and connections to the policy issues we are working on for you. As usual, if you have questions or need follow up information, please contact us. Additionally, you can expect a brief special report from us in the coming weeks following the legislative leadership elections on December 7th.

As we all prepare for the 2021 legislative session that begins on January 11th, we cannot provide many answers regarding how the session will take place. The legislative leadership and staff are attempting to address the dozens of logistical, employee, procedural, and public health factors. There will be a 2021 session and it may look like every other session without regard to significant public health issues. The 2021 session process, however, may be more distant and difficult for folks like us to monitor, report, participate, and advocate. Many of the details may not be resolved until January and depending on how our communities manage community spread over the holidays, there likely will be on-going change during the session.

Outline:

- Current State Impact & Response to COVID-19
- Financial Institutions-Related Issues
- Upcoming Legislative Activities

Current State Impact & Response

Latest Executive Order (EO)

- The Governor issued an updated face mask EO on November 18th. For cities and counties that have already adopted a mask mandate, this EO has no impact. For those counties who have not adopted a mask ordinance, they have seven days to implement their own ordinance before being automatically opted in to the Governor's new EO.

State Finance Council (SFC) Actions

- On November 13th, the SFC extended the state of disaster declaration for another 30 days.
- The SFC approved two requests from the SPARK Task Force: transferring \$25 million from the essential needs fund (which is not being used) to state agency operations; and appropriating \$1.5 million for a PSA campaign to educate Kansans on how to mitigate the spread of COVID-19. The PSA campaign was put together by a coalition of stakeholders including the Kansas Hospital Association, Kansas Farm Bureau, and the Kansas Chamber.

- More on the PSA and the Kelly Administration’s plan to combat COVID-19 here: <https://governor.kansas.gov/governor-laura-kelly-announces-new-steps-to-slow-the-spread-of-covid-19/>
- On November 20th, the SFC approved two additional proposals from the SPARK committee: \$18.5 million for public health and \$20 million for business resiliency. The public health funds include \$5 million for local health departments; \$4 million for safety net clinics for remote monitoring devices to enhance telehealth services; \$7.5 million for hospitals, and \$2 million for nursing home PPE. The business resiliency funds include relief to restaurants and bars, movie theaters, large venues, PPE manufacturers, and private colleges. Lastly, any unspent CARES Act funds will be transferred to the state’s unemployment trust fund before the end of the year.

SPARK Task Force Activities

- The convening of the SPARK Task Force has largely concluded, as the majority of the funds have been allocated and as the December 31st deadline for spending those funds quickly approaches.
- The SPARK Task Force created a comprehensive Investment Dashboard to show where and how these funds are being spent: <https://covid.ks.gov/covid-data/>

Unified Testing Strategy Update

- On October 29th, the SFC approved an additional \$45 million per the SPARK Task Force’s request.
- On November 12th, the Governor’s office announced contracts to various labs to support increased testing for COVID-19. Contract awardees include: 4M, Clinical Reference Lab, Freestate Logistics, MAWD, Medevac, NicUSA, Quest, Sinochips, University of Kansas Health System, WellHealth, and Wichita State University.
- More information here: <https://governor.kansas.gov/governor-laura-kelly-announces-contracts-to-support-covid-19-unified-testing-strategy/>

Latest State Revenue Outlook

- Following the trend of the last several months, October revenues far exceeded estimates, an encouraging sign for the state’s recovery. October total tax receipts exceeded estimates by \$62.6 million and last October’s receipts by \$43.6 million. Retail sales continue to perform strong and exceed estimates, with October sales tax receipts totaling \$211 million, which is \$10.2 million more than last October.
- Even more illuminating was the state’s latest Consensus Revenue Estimate released on November 6th, which makes several things clear: First, the estimates show a much smaller deficit than was project back in April, down from an estimated \$1.4 billion deficit for next year to a \$152 million shortfall. The current fiscal year ending balance is now estimated at a \$363 million surplus, up from a previously estimated \$700 million deficit.
- These developments suggest budget reductions and shortfalls are less likely.
- Link to the CRE short memo here: <https://sunflowerstatejournal.com/wp-content/uploads/2020/11/cre.pdf>

Virtual Statehouse Project

- The Legislature appropriated roughly \$3 million for technology upgrades in order to outfit all committee rooms and both chambers with videoconferencing capabilities, in addition to the current audio-only capabilities that most committee rooms have. By the beginning of Session, January 11th, all committee rooms will have these capabilities so that conferees can testify remotely.

- Additionally, the Legislative Coordinating Council (LCC), made up of legislative leadership, is in the process of considering several proposals for the 2021 Session to keep legislators, lobbyists, and the public safe. It is expected the group will consider proposals that deal with mask-wearing, social distancing (i.e. closing the galleries in both chambers), a mobile unit to provide COVID-19 testing for lawmakers and potentially for lobbyists, and who will have access to the Statehouse, among others. The LCC will meet again in early December to consider formal proposals.

Financial Institutions Issues

Special Committee on Economic Recovery

- The Committee convened on November 16th and 17th to hear from more stakeholders across various sectors from aviation to banking. The Kansas Department of Labor also provided updates on the state's unemployment and unemployment insurance situation. A major concern currently is the high volume of fraudulent unemployment claims KDOL is receiving.
- A number of stakeholders offered the committee their recommendations for recovery, including recommending the following:
 - Foster public and private partnerships to help the business community.
 - Recognized the need for HB 2619 the Governor vetoed, (the financial institutions privilege tax bill and the Linked Deposit Program).
 - Make PPP loans exempt.
 - Unemployment Insurance Reform.
- The Kansas Chamber also shared policy recommendations with the committee, including several items related to decoupling from the federal tax code and issues related to the 2017 federal tax code changes:
 - Decouple from GILTI.
 - Decouple from FDIC Premiums.
 - Decouple from Corporate Tax Considerations.
 - Individual Income Tax Itemization.
- The committee will hold a final set of meetings on December 7th, 8th, and 9th to continue to hear from stakeholders and finalize recommendations to the 2021 Legislature. The committee will make recommendations in the following categories: taxes; unemployment/unemployment insurance; administrative regulations; and economic development. The committee expressed interest in hearing from the following stakeholders at their final meetings: KDOL; Office of Recovery; and the Department of Commerce to get an update on broadband expansion and the state's economic development outlook.

Kansas Department of Commerce Initiatives

- The Department announced the Small Business Working Capital (SBWC) Grant awardees on November 16th. You can find SBWC grantees in your community on this spreadsheet: <https://governor.kansas.gov/wp-content/uploads/2020/11/SBWC-Grant-Awardees.pdf>
- The Department awarded 1,982 SBWC grants. (A total of 5,696 businesses had applied).
- The average SBWC award was \$18,954 with the most frequent grant amount being \$20,000.

Legislative Activities

Legislative committees continue to formulate policy recommendations that could serve as potential legislation during the 2021 session.

- Legislative Budget Committee
 - Next Meeting: December 1st, to continue assessment of the impact of the pandemic on the state's budget and state and local revenue collections.
- Special Committee on Economic Recovery
 - Next Meetings: December 7th-9th, to hear from additional stakeholders and make recommendations.

Committee hearings, membership, and meeting agendas can be found at this link:

http://www.kslegislature.org/li/b2019_20/committees/

Live listening to hearings is available at this link: <http://sg001-harmony.sliq.net/00287/Harmony/en/View/Calendar/>

Most committees are archived on YouTube at this link:

<https://www.youtube.com/c/KSLegislatureLIVE/videos>

Wrap Up

We will provide a brief update following the December 7th legislative leadership elections that provides an analysis of these results and their impact on the upcoming Session. Please let us know if you have questions in the meantime.

Please let us know if you have questions.

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