



## **Community Bankers Association of Kansas**

### **Week Six Legislative and Policy Update**

**February 22, 2021**

#### **Overview**

Despite the disruptions in Week Six of the 2021 Session ranging from rolling blackouts to record-breaking subzero temperatures, it was a relatively busy week at the Statehouse. Many hearings were reshuffled, and a number have moved to next week, which will make for an especially packed week of committee hearings before both chambers spend the next week working bills on the floor. The House and Senate will debate and pass bills on the floor the week of March 1<sup>st</sup> before taking a long weekend break that marks the midpoint of the Session. Most bills that fail to pass their chamber of origin during that week are likely dead, except for those lucky few that become blessed, as well as any exempt bills. There are far fewer new bills this week, since bill introductions are largely over, except in exempt committees. Again, most new bills will not receive hearings this Session but remain alive for the 2022 Session.

#### **Big Picture Issues**

**Taxes:** After the Senate's passage of SB 22, the major income tax cut bill, last week, there has been little activity related to taxes this week. Again, the bill is estimated to cost the state \$1 billion over the next three years. The bill focuses on business and investment taxes, as well as tax benefits for those who itemize. It will be heard and worked on the House side likely after Turnaround. The property tax bill, SB 13 is awaiting action on the House floor.

**COVID:** There have been no disruptions during Session thus far due to COVID, though policy debates over the COVID-19, and by extension other vaccines, are imminent. Bills have been introduced to prohibit KDHE from requiring additional vaccinations for school children, as well as prohibiting employers from taking adverse actions against employees who do not get vaccinated. It looks like the larger impact of COVID will be on the anticipated changes in the State's emergency powers that may be in the new Kansas Emergency Management Act bill that is scheduled to come out next week.

**K-12 Education:** While debates over non-public schools continue, lawmakers continue conversations about getting students back in the classroom. Members of the education committees, as well as legislative leadership, have expressed their concerns and discontent with remote learning, which has prompted legislation to address their concerns. Senate leadership has introduced a bill enacting the "back to school act" to require districts to provide a full-time, in person attendance option for all students beginning March 26, 2021. The bill has a hearing next week, so this issue will receive lots of attention in the coming days.

With far fewer bills introduced this past week, this report should read a bit easier. We have one more packed week of committee hearings before the following week of floor debate. Budget subcommittees are finalizing recommendations for the mega-budget bill that is shaping up quickly. Debate on some of the bigger issues remaining—taxes, medical marijuana, sports

wagering, and changes to KEMA—will likely get hammered out following Turnaround on March 5<sup>th</sup>.

## **Financial Institutions Issues**

### **SB 15: Economic Recovery & Privilege Tax Legislation Summary and Update**

- The bill still awaits the Governor’s signature, which we expect to happen in the next couple of days.
- As a reminder, SB 15 includes both the Economic Recovery Linked Deposit Program and credit union field of membership provisions. The linked deposit program will use \$60 million in state idle funds for a low interest loan program administered by the State Treasurer’s office. The privilege tax portion of the bill eliminates the privilege tax on agricultural real estate loans and single-family residential loans in communities of 2,500 people or less.
- The Senate passed the bill as amended 39-0 on February 1<sup>st</sup> and the House passed it one week later, 122-1.

### **Legislation of Interest**

- HB 2189 Payday Lending: Providing restrictions, lender reporting and other requirements for alternative small loans made under the UCCC.
  - The bill caps open end credit at 36%. Closed end increases from the dual rates of 36%/21% to all 36%.
  - Hearing in House FIRD Monday, February 22<sup>nd</sup>.
- SB 178: Providing for trust company charter conversions.
  - Hearing in Financial Institutions Wednesday, 2/17.
  - OSBC brought the legislation forward. Currently, the Kansas banking code does not allow a national bank to convert to a state trust company, so this legislation would incorporate trust companies into the conversion statutes. It allows national banks to come into the state as trust companies, and state trust companies can go out of the state as national banks.
  - There were no neutrals or opponents to the bill.
  - The committee will work the bill on Wednesday.
- SB 218: Providing restrictions, lender reporting and other requirements for alternative small installment loans made under the UCCC.
  - Companion bill to HB 2189.
- HB 2268: Enacting the Kansas rural home loan guarantee act and authorizing the state treasurer to guarantee a certain portion of rural home loans made by financial institutions and report to the legislature regarding such loan guarantees.
  - House FIRD heard the bill on 2/17.
  - There were no neutrals or opponents.
- HB 2320 C-PACE: Enacting the commercial property assessed clean energy (C-PACE) Act, providing financing for certain energy, water, air, health, and renewable energy efficiency improvements through assessment contracts between C-PACE lenders and property owners and establishing certain rights, duties, and responsibilities for mortgage lenders regarding C-PACE assessments.
- HB 2187: Enacting the first-time home buyer savings account.
  - Hearing in House FIRD last week. There were no neutrals or opponents.
  - Proponents argued the bill will help young people generate savings to become first-time homebuyers, encourage younger people to stay in Kansas, and supports sustained homeownership.

- Eleven other states, including Oklahoma, Colorado, Iowa, and Missouri, have first time home buyer account programs.
- The committee passed the bill out on Wednesday, 2/10, and the House passed the bill 119-3 on 2/18.
- HB 2398: Enacting the technology-enabled trust bank act, providing requirements, fiduciary powers, duties, functions and limitations for trust banks and the administration thereof by the bank commissioner and creating an income and privilege tax credit for certain qualified distributions from trust banks.
  - The banking industry has numerous concerns and questions regarding this legislation and what it does exactly. It is unlikely the bill will receive a hearing this year, though it may be an issue discussed over the interim.

#### SB 242: OSBC Legislation

- SB 242 would consolidate certain mortgage lending provisions, remove duplicate provisions from the UCCC and incorporate such provisions into the KMBA.
- The bill had a hearing in Senate FI&I on Wednesday, 2/17.
- KBA and CBA issued opposition to the bill for a few reasons. First, bank staff would have to read a second law, the KMBA, when they are accustomed to reading the UCCC. This legislation would also require banks to update their forms. Both KBA and CBA believe this legislation would ultimately lead to confusion with little benefit to banks or their consumers.
- The committee does not intend to work the bill.

#### SB 22 Income Tax Bill

- The Senate Tax committee amended the bill to strike the loss carryback and remove the retroactivity of the bill. Most of the provisions will now be implemented in tax year 2021 instead of tax year 2020, including the provision allowing banks to deduct their FDIC insurance premiums.
- As reported above, the Senate passed an amended version 24-15 on February 9<sup>th</sup>. The House will take up the issue after Turnaround.

#### Upcoming Activities

The legislative schedule of hearings is updated regularly throughout the week can be found in the House and Senate calendars on the Legislature website at:

[http://www.kslegislature.org/li/b2021\\_22/chamber/calendars/](http://www.kslegislature.org/li/b2021_22/chamber/calendars/)

Additionally, all hearings are now available on-line live on YouTube and archived by the end of each day. You can find those hearings on the Legislature website at: <http://sg001-harmony.sliq.net/00287/Harmony/en/View/Calendar/>

*Monday, February 22.*

House Financial Institutions & Rural Development. 9:00 AM.

- Hearing on HB 2189: Payday Reform.

*Wednesday, February 24.*

Senate FI&I. 9:30 AM.

- Final Action on SB 178: Trust company charter conversions.

**Wrap Up**

Let us know if you have any questions.

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