



## Community Bankers Association of Kansas

### Week Seven Legislative and Policy Update

March 1, 2021

#### Overview

The midpoint of the Session is fast approaching, as the Legislature wrapped up their last week of committee work before spending next week working bills on the floor of each Chamber. Committees held hearing this past week on a variety of big topics, ranging from medical marijuana to vaccines in the workplace to transgender sports. Most bills that fail to pass their chamber of origin next week are dead for this Session, except for those lucky few that become blessed, as well as any exempt bills. We expect next week will see its fair share of long nights and lengthy debates, particularly when it comes to some heftier topics such as sports wagering, expansion of the low-income student scholarship program, and the Kansas Emergency Management Act (KEMA). After next week on the floor, we will enjoy the only break of the session and most committees will meet again for a short week beginning March 10<sup>th</sup>.

The report is trimmed down a bit this week as non-exempt bills that have not advanced are being removed from the report. In general, the number of issues begins to narrow as the session progresses.

#### Big Picture Issues

Legislative Oversight: Debate over the power and authority of the state's executive branch continues to evolve, as resolutions were introduced in the House and Senate proposing a constitutional amendment that provides for legislative oversight of rules and regulations adopted by executive branch agencies and officials. Historically, writing rules and regulations is a function of the executive branch and legislative influence has been advisory. This constitutional amendment will significantly alter the balance of power. More on this issue here:

<https://kansasreflector.com/2021/02/23/kansas-a-g-republican-lawmakers-propose-legislative-veto-of-state-agency-rules/>

KEMA: Somewhat related to discussions of legislative oversight is the now nearly year-long conversation about the Governor's authority during a state of emergency, and how that authority interacts with KEMA. The state of disaster declaration the state is currently operating under expires March 31<sup>st</sup>, and the Legislature has until then to make changes to KEMA and rectify some of the provisions in the act that are decades old and not exactly equipped to address a months-long pandemic. The two bills, House Bill 2146, and Senate Bill 273 are different. Both bills reduce the Governor's authority to act without Attorney General and legislative oversight, as well as a wide range of areas where local government and public health authority is narrowed or restrained. Both chambers are set to work their versions of the bill next week, and the legislation will likely go to conference committee following Turnaround.

- More on the Senate version here: <https://kansasreflector.com/2021/02/24/gop-senators-eager-to-answer-covid-19-with-more-explicit-kansas-emergency-management-law/>

Taxes: The House Tax committee has not yet taken action on SB 22, the Senate version of the major income tax cut bill. SB 22 is estimated to cost the state \$1 billion over the next three

years. The House has introduced their own version of the income tax cut bill, HB 2421. The major property tax bill, SB 13, still awaits action on the House floor. It is most likely at this point that tax action will take place in the second half of the session.

K-12 Education: In addition to continued efforts this week to expand the state's low-income student scholarship program, the K-12 Education Budget committee wrapped up their recommendations on the State Department of Education's budget. Also, of note this week in the education committees were hearings on the Back-to-School Act—requiring districts to provide a full-time, in-person attendance option by March 26<sup>th</sup>—and a bill prohibiting transgender students from competing in women's sports. More on that here: <https://kansasreflector.com/2021/02/23/kansas-transgender-sports-bill-epitome-of-fair-play-or-brazenly-unconstitutional-discrimination/>

## **Financial Institutions Issues**

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

- The Governor signed SB 15 into law on February 25<sup>th</sup>.
- More on the Governor's approval here: <https://kansasreflector.com/2021/02/25/democratic-governor-gop-lawmakers-unify-to-dedicate-60m-for-low-cost-loan-program/>
- 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 ag 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>.
  - OSBC offered neutral testimony. Proponents of the bill included Pew Charitable Trusts, the Kansas Catholic Conference, and Atlas Credit Company. Several payday loan companies, including LoanMax and CURO Financial Technologies, as well as Kansas Community Financial Services Association.
  - The legislation will not advance this Session.
- 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.
  - Committee passed the bill out on 2/24.
- 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. The bill will not receive a hearing this year, though it may be an issue discussed over the interim.

### **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, March 1<sup>st</sup>-Friday, March 5<sup>th</sup>:*

House & Senate are on General Orders. No committee meetings scheduled.

### **Wrap Up**

Let us know if you have any questions.

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