



Community Bankers Association of Kansas

Week Eleven Legislative and Policy Update

March 29, 2021

Overview

We are nearing the end of the 2021 regular Session and the last full week of committee hearings before transitioning to conference committees and final floor debate. The Legislature has a short week ahead. There may be a few last-minute committee meetings to pass bills, but a diminishing number of bills are still moving. This report looks at the big picture as well as the specific bills of interest still likely to see action. They will adjourn by Friday April 9th.

Big Picture Issues

State Budget: While the Senate passed their version of the budget earlier this month, the House has yet to take action. Once the House passes their budget, the budget conference committees will begin meeting to work out differences. It is possible the budget resolution could be delayed until the Wrap-up Session beginning May 3rd. The delay gives the state time to receive more guidance on the latest round of federal recovery dollars coming to Kansas, as well as the consensus revenue estimate (CRE) released in mid-April that provides the most up-to-date state revenue situation. Unless the House moves the budget forward early next week, a final resolution will await this new information and wrap up session.

KEMA: The Governor on Thursday signed SB 40, the Kansas Emergency Management Act (KEMA) bill, into law. The law extends the current disaster declaration to May 28th, but the current executive orders (EO) expire next week, March 31st. Many local jurisdictions are adopting new public health standards or eliminating them during this new transition period. Many are still learning the long-term impact of the significant changes in the law that greatly expand the litigation process for opponents of public health measures. The Governor has already announced some EOs will be reissued, though Republican leadership has already announced they plan to oppose a new mask mandate:

- <https://governor.kansas.gov/governor-laura-kelly-signs-emergency-response-bill-will-re-issue-executive-orders-to-protect-covid-19-recovery/>

Taxes: The House Tax Committee this week issued their version of an income tax cut bill (House Substitute for SB 50) reducing State revenue far less over than the Senate bill. The Senate version, SB 22, is estimated to cost the state nearly \$1 billion over the next three years, and the House bill is estimated to cost approximately \$375 million over the same period. While the costs differ, each version contains several similar provisions, such as increasing the standard deduction and the ability to itemize on state tax returns without itemizing on federal returns. Unlike the Senate version, the House bill includes requiring marketplace facilitators to collect and remit sales tax. Additionally, it is unclear whether the House version includes FDIC premium deductibility. We will know more when the amended bill is made available. Once the full House takes action on the bill, it will be on its way to tax conference committee.

Looking Ahead: The coming week will be short but busy. The Legislature is in session Monday through Wednesday but takes a short break beginning Thursday and will return the

following Tuesday, April 6th, before First Adjournment on April 9th. The Wrap-up Session begins May 3rd.

Financial Institutions Legislation of Interest

With the signing of SB 15 (Economic Loan Recovery Program and Privilege Tax legislation) into law, there are only a few outstanding financial institutions-related issues for the remainder of Session, most notably, technology enabled fiduciary financial institutions, or “TEFFIs.”

- 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.
 - The Senate Committee amended the bill to “clarify the naming standards for state banks and trust companies and establish a separate naming requirement for trust companies doing business in Kansas in law governing conversion to a state bank.”
 - Passed the Senate 39-0 on 3/3.
 - The House Committee amended the bill to make a “technical update to the location of the naming provisions included in the Senate Committee amendment.”
 - The House passed the bill 121-1.
 - The Senate did not concur with the House change and it will go to conference committee.
- HB 2187: Enacting the first-time home buyer savings account.
 - House committee passed the bill out on Wednesday, 2/10, and the House passed the bill 119-3 on 2/18.
 - Hearing in Senate FI&I on Tuesday, 3/16, and the committee passed out the bill as amended. The committee amended the bill to change the effective date from publication in the statute book to publication in the Kansas register.
- Technology-Enabled Trust Banks
 - 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.
 - Hearing in House Financial Institutions Monday, March 22nd.
 - The Beneficient Group based out of Dallas, and the Mayor of Hesston testified in support of the bill.
 - OSBC, KBA, and the Kansas Department of Commerce offered neutral testimony. The CBA is officially neutral on this legislation.
 - The OSBC has some concerns with the legislation, primarily that they do not fully understand the business model and that there is no data to show cash flow trends, profitability, debt service, etc. The legislation does not allow OSBC to review the profitability of the entity during examination, while also creating additional exceptions to the typical exam process.
 - The KBA does not believe that the TEFFI model will compete directly with banks and trusts, and that it could be complementary. The Kansas Department of Commerce believes this provides an opportunity to bring new dollars to the state and allows for continued investment in rural areas and on main streets.

- The House committee still has several questions and currently has not taken any action on the bill.
- Link to the House hearing:
<https://www.youtube.com/watch?v=wBOPGca4m40&t=37s>
- Conferees' testimony can be found here:
http://www.kslegislature.org/li/b2021_22/committees/ctte_h_financial_institutions_and_rural_developm_1/committee_testimony/?selected_date=03%2F22%2F2021
- Companion bill SB 288 was introduced in an exempt committee on 3/10 at the request of the Senate President.
 - SB 288 has a hearing in Senate FI&I Monday and Tuesday, March 29th-30th.
- SB 218: Payday Loans. Providing restrictions, lender reporting, and other requirements for alternative small installment loans made under the UCCC.
 - Informational hearing this past week in Senate FI&I. Largely mirrored the presentations from House FIRD several weeks ago.
 - Proponents included Senator Faust-Goudeau (Wichita), Kansas Payday Loan Coalition, Kansas Catholic Conference, Atlas Credit Company, and Topeka JUMP.
 - Opponents included Loan Max, Kansas Community Financial Services Association, and Curo Financial Technologies Corp.

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/

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 29th.

Senate FI&I. 9:00 AM.

- Hearing on SB 288 Technology-Enabled Trust Banks.

Tuesday, March 30th.

Senate FI&I. 9:00 AM.

- Hearing on SB 288 Technology-Enabled Trust Banks.

Wrap Up

Let us know if you have any questions.

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