



Community Bankers Association of Kansas

Week Twelve Legislative and Policy Update

April 01, 2021

Overview

The House wrapped up floor debate on Tuesday evening and the Senate on Wednesday evening before enjoying a short break. The Legislature will return Tuesday, April 6th, for a few fast and furious days of floor work and conference committees before First Adjournment on Friday, April 9th. Next week will involve long days and late evenings debating a few bills and allowing time for conference committees to work out differences on a variety of issues from healthcare to COVID compensation to education issues. The budget conference committee will likely begin negotiations, but it remains to be seen whether they will wrap up negotiations next week or wait until Omnibus/Wrap-up Session beginning May 3rd to work out all the differences.

Big Picture Issues

State Budget: This week the House passed their version of the budget. Most notably, their budget was amended on the floor to include a two percent across-the-board cut to the state general fund (SGF) budget, which amounts to about \$161 million. This issue now goes to conference to be negotiated with the Senate. Additionally, the House budget does not include the nearly \$6 billion in K-12 education funding; rather, the House included those funds in a controversial education policy bill that passed the House the same day as the budget, 65-58. Also, of note, House Democrats attempted a Medicaid Expansion amendment to the budget but failed with only 46 affirmative votes.

- More on that here: <https://kansasreflector.com/2021/03/30/house-gop-kills-off-another-medicaid-expansion-attempt-by-democrats/>

As we stated above, the budget conference committee will likely begin meeting next week but may not resolve their differences until the Wrap-up Session in May. We will know more after next week, and after consensus revenue estimates are released at the end of April.

KEMA: As previously reported, the Governor last week signed SB 40—addressing the Kansas Emergency Management Act—into law. The latest news involves the expiration of all current executive orders (EOs) on March 31st, and the anticipation of new EOs being issued on April 1st. Both the House and Senate passed resolutions urging the Legislative Coordinating Council to oppose any new EO that would reinstate the statewide face mask mandate.

- More on the issue here: <https://kansasreflector.com/2021/03/30/house-rams-through-pre-emptive-resolution-to-derail-new-kelly-mask-order/>

Taxes: The House passed their version of the major income tax bill that costs roughly one-third of the Senate version. SB 50 passed the House 81-43 and the Senate concurred 30-10 with the changes made in the House tax plan. Both bills include the following provisions: requiring marketplace facilitators to collect and remit sales tax; option to itemize on state income tax return without itemizing on federal return; fraudulent unemployment provision clarifying that victims of unemployment fraud do not pay income tax on fraudulent claims; increasing the

standard deduction for each group; GILTI provisions; deduction of FDIC premiums; expensing deduction provisions; and unlimited net operating loss carryforward. SB 50 is estimated to cost roughly \$284 million over the next three years, substantially less than the Senate’s original version, SB 22, but a veto is possible.

Looking Ahead: Much like this week, next week will be somewhat shortened but incredibly busy with conference committees meeting to work out differences before sending the agreements to both chambers to either approve or reject. There are still some major issues beside the budget to be resolved—sports wagering, property tax and COVID relief issues, and education funding and policy issues—that may be addressed next week, but likely pushed to the Wrap-up Session.

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,” which received much attention this week.

- TEFFI Legislation
- House Sub for SB 98 (formerly 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.
 - 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
 - House FIRD worked the bill Tuesday, 3/30, and added an amendment that addresses the following:
 - Changes the name from “technology enabled trust bank” to “technology-enabled fiduciary financial institution.”
 - OSBC will not approve application for a TEFFI charter until January 1st, 2024. (Only the pilot program can operate prior to January 2024).
 - Requires the same examination standards for TEFFIs as for traditional trust companies.
 - TEFFIs cannot use the terms trust company or trust bank when advertising. Additionally, no TEFFI advertising can imply they are endorsed by or connected to the State of Kansas.
 - OSBC will promulgate rules and regs by July 1, 2022. Those rules shall imply the same safety and soundness standards for TEFFIs as for trust companies. (Beneficient did not fully agree to this amendment).
 - On or before January 10th, 2022, OSBC shall provide a report to House FIRD and Senate FI&I updating the committees on the progress of the TEFFI pilot program and include any recommendations from OSBC for any legislation that may be necessary to implement provisions of this act.
 - Creates the Joint Committee on TEFFI Oversight. (5 Senators; 8 Representatives).
 - The amendment narrowly passed out of House FIRD, 8-7, with the Chairman breaking the tie.
 - House version as amended and bill summary:

- http://www.kslegislature.org/li/b2021_22/measures/documents/sb98_02_0000.pdf
 - http://www.kslegislature.org/li/b2021_22/measures/documents/supp_note_sb98_02_0000.pdf
 - The Chair of House FIRD also indicated the possibility of an amendment on the House floor to allow OSBC to approve an application charter “on or before” January 1, 2024, if the pilot program has gone smoothly and earlier application would be warranted.
- Senate Sub for HB 2074 (formerly SB 288).
 - SB 288 had hearings in Senate FI&I Monday and Tuesday, March 29th-30th.
 - The committee added a similar balloon amendment as the House committee and passed the bill out as amended.
 - Senate bill and bill summary:
 - http://www.kslegislature.org/li/b2021_22/measures/documents/hb2074_01_0000.pdf
 - http://www.kslegislature.org/li/b2021_22/measures/documents/supp_note_hb2074_01_0000.pdf
 - The Senate ran the bill the following day with minimal debate or discussion and passed the bill without further amendment, 40-0.
- Other Legislation
- 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.

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/>

No Session Thursday, April 1st through Monday, April 5th. Conference committees will be announced throughout the week.

Wrap Up

Let us know if you have any questions.

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