



Community Bankers Association of Kansas

Pre-Session Legislative and Policy Report

January 10, 2022

2022 Session Preview

The 2022 legislative session will be one of the most significant in recent Kansas history and gets underway today, Monday, January 10th. It will occur as our communities and elected officials navigate the future after two years of the global pandemic and the divisions and conflicts it has stirred. Kansas public policy debate will see themes both local and national related to public education and public health, economic recovery and economic development, tax policy including revenue, and the direction and role of government. Other issues framing the specific policy debate in Kansas will explore cultural and community challenges, economic opportunity and potential growth, statewide housing needs, as well as continued discussion of climate and sustainability issues.

The Kansas Legislature will contend with all these issues. At the same time, elections loom in 2022. The current Governor will face the current Attorney General in a gubernatorial contest as well as all other statewide officials. Each seat of the Kansas House of Representatives is up for election, but no State Senate seats will be contested until 2024. The 2022 primary will also see on the ballot the constitutional amendment that will allow legislators, not the court, to determine questions of control over individual health rights. A final layer of complexity on the 2022 legislative session is the requirement that the Legislature and the Governor approve maps that redraw the boundaries of all Kansas and federal districts. Redistricting can be the most partisan and difficult act in American politics and the potential impacts of redistricting can last a decade.

This report includes a few highlights of happenings in the last few weeks, but more importantly looks at issues that will be front and center this session. It also provides information on the 2022 Session schedule as well as changes in committee assignments (at the end of this report). Session begins Monday the 10th when both houses convene at 2:00 PM, but committees will not meet until Tuesday. The Governor will hold her State of the State address on Tuesday at 6:30 PM. We anticipate the Governor's budget recommendations will be public on Thursday the 13th. The Legislature's mid-session break will be February 25th and the regular session is scheduled to conclude on April 1st. The wrap up session will begin April 25th.

We will resume our weekly legislative reports beginning next week.

Other Information

Governor Issues Disaster Declaration

- In response to the rise in COVID cases as a result of the Omicron variant, Governor Kelly issued a 15-day disaster declaration on January 6th. The Legislature has the ability once Session begins to extend the declaration. The Governor also issued two executive orders expanding the ability of healthcare providers to respond to the crisis.
- More on the disaster declaration and emergency orders here:
<https://governor.kansas.gov/governor-laura-kelly-issues-15-day-disaster-declaration-two-executive-orders-to-aid-kansas-hospital-and-adult-care-home-capacity/>

“Axe the Food Sales Tax” Bill Drafts Released

- A couple of weeks ago, the Governor and Democratic legislative leadership announced House and Senate bill drafts for the elimination of the state’s 6.5% sales tax on food.
- The State’s revenue surplus is generating significant support for the proposed tax reduction that benefits particularly lower-income taxpayers.
- Despite the fairly broad support, the issue faces a long and complex path final passage.
- The bill draft can be viewed here: https://governor.kansas.gov/wp-content/uploads/2021/12/AxeTheFoodTax_SenateBill.pdf

Governor’s Tax Rebate Proposal

- On December 22nd, Governor Kelly announced a proposal for a one-time \$250 tax rebate in the form of a non-taxable direct payment to all Kansans (married and filing jointly are eligible for a \$500 direct payment).
- More on the proposal here: <https://governor.kansas.gov/governor-laura-kelly-announces-proposal-to-provide-250-tax-rebate-to-kansas-resident-taxpayers/>
- The Governor cited the state’s current budget surplus as grounds for the rebate, which requires Legislative approval. It is uncertain if the Legislature will support both this rebate, as well as the Governor’s plan to reduce the food sales tax. While state revenues are certainly the highest, they have been in recent years, it is unlikely the Legislature will grant the Governor’s wishes for both initiatives, and the announcement of her rebate proposal may complicate the process for passing the food sales tax elimination.

December Tax Collections

- December tax collections, as in all previous months in 2021, exceeded estimates by \$64.5 million, for a tax collection totaling \$890.3 million. The December 2021 amount surpassed December 2020’s collections by \$120 million.
- The breakdown of December’s SGF receipts can be viewed here:
https://governor.kansas.gov/wp-content/uploads/2022/01/06_December_Revenue_FY2022_01-03-2022_Final.pdf

Latest SPARK Task Force Actions

- In late December, the SPARK task force voted 5-2 to expend \$154 million for various projects, including for economic development, educational grants for at-risk students, and high-speed internet for school districts.
- The breakdown of the allocation is as follows:
 - \$100 million for building improvements for economic development,
 - \$50 million for \$1,000 direct grants to families with at-risk children who experienced learning loss during the pandemic, and
 - \$4 million for school districts to match funds for a Federal Communications Commission program providing access to high-speed internet service.

- Proposals approved by the SPARK committee thus far total \$256 million of the \$1.6 billion in total federal funds received by the state. (As a reminder, \$500 million of that has also been allocated for the unemployment trust fund).
- We anticipate the allocation of federal funds will be a major point of debate this session, particularly situated in the context of conversations and proposals to instead use excess funds to pay down state debt.

2022 Financial Institutions-Related Issues

With the 2021 resolution of the privilege tax issue, there are few large-scale issues directly impacting financial institutions on the horizon for the 2022 Session. Broadly speaking, we will be monitoring two separate issues that may have an impact on the banking industry. Those include the introduction of TEFFIs into Kansas, as well as potential tax policy changes, ranging from property tax to income tax changes.

Interim committee reports from the Joint TEFFI Committee, Special Committee on Taxation, and the Governor’s Council on Tax Reform should become available in the coming days and weeks.

Latest on TEFFI in Kansas

- On January 3rd, the OSBC issued a charter to the Beneficient Company (Ben). Ben can now begin conducting its business in alternative asset investments in Kansas. More on that here: https://www.bakersfield.com/ap/news/the-beneficient-company-group-receives-charter-from-kansas-state-banking-commissioner/article_6739bd7f-35b0-5cab-aea4-dc669f317036.html

Property Tax Issues

- Property tax policies will be heavily debated during the 2022 Session, including issues ranging from property valuation and appraisal; changes to 2021 SB 13 property tax notification requirements; “government competition,” and the 20-mill statewide levy for schools.
- The much-anticipated Legislative Post Audit (LPA) interim study on “government competition” will be released next Wednesday, January 12th. The audit’s purpose was to examine potential instances where government or non-profit entities are considered to have an unfair advantage over for-profit businesses and stemmed from last year’s heated debate over property tax exemptions for health clubs (an issue we expect to remain alive and well in 2022).
- Proposals to change county appraisers from an appointed position to an elected position will likely resurface this session.

Governor’s Commission on Racial Equity & Justice (CREJ)

- The CREJ recently released its report to the 2022 Legislature, largely focused on social determinants of health.
- The Commission made one recommendation related to two bills from 2021, HB 2189 and SB 218. These bills would provide for restrictions, lender reporting, and other requirements for alternative small installment loans made under the UCCC. They contain changes to the state’s lending law that would cap open-end credit finance charges at 36%, limit fees on such loans, and add disclosure requirements to make the cost of loans more transparent. The Commission recommended the Legislature consider model legislation from Colorado that limits maximum interest rates.

- The CREJ’s full report can be found here, and the recommendations related to wages and lending practices can be found on pages 36-37: https://governor.kansas.gov/wp-content/uploads/2021/12/CREJ-Report-December-2021_FINAL.pdf

Upcoming Activities

Monday, January 10th.
First Day of 2022 Session.

Tuesday, January 11th.
Governor’s State of the State Address, 6:30 PM.

Wednesday, January 12th.
Joint Senate Ways & Means and House Appropriations Meeting. 9:00 AM.

- Overview of Fall 2021 Consensus Revenue Estimates
- Briefing on the Governor’s Budget Report.

Wrap Up

Let us know if you have any questions.

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2022 Session Important Dates

- January 10th: Opening day.
- February 9th: Last day for individual-sponsored bill introductions.
- February 11th: Last day for non-exempt committee-sponsored bill introductions.
- February 21st: Last day for committees to meet prior to Turnaround (i.e., midpoint of Session).
- February 24th: Turnaround Day—Last day for non-exempt bills to leave house of origin.
- March 18th: Last day for non-exempt committees to meet to consider bills.
- April 1st: First Adjournment.
- April 2nd-24th: Spring Break. Legislature does not meet.
- April 25th: Veto Session begins.
- May 10th: 90th Day of Session.

Committee Membership Changes

Some committee assignments have changed prior to the 2022 session, and they are noted here.

- House Republican Committee Changes:
 - **Elections** – Rep. **Emil Bergquist**, R-Park City, is new chair, **Jesse Borjon**, R-Topeka, vice chair. Current chair Rep. **Blake Carpenter**, R-Derby, is leaving the House for the 2022 session for military duty.
 - **Federal & State Affairs** – Rep. **Adam Thomas**, R-Olathe, is appointed to the committee.
 - **Water** – Reps. **Cyndi Howerton**, R-Wichita, and **Trevor Jacobs**, R-Fort Scott, are appointed to the committee.
 - **Energy, Utilities and Telecommunications** – Rep. **Blaine Finch**, R-Ottawa, is new committee chair.
 - **Local Government** – Rep. **Bill Clifford**, R-Garden City, is appointed to the committee.
 - **Veterans** – Rep. **Bill Clifford**, R-Garden City, is appointed to the committee.
 - **Ag/Natural Resources Budget** – Rep. **Adam Smith**, R-Weskan, is appointed to the committee.
 - **Corrections/Juvenile Justice** – Rep. **Stephen Owens**, R-Hesston, is chair after the death of Rep. **Russ Jennings**, R-Lakin. Rep. **Eric Smith**, R-Burlington, is named vice chair. Rep. **Cyndi Howerton**, R-Wichita, is assigned to the committee.
 - **Health and Human Services** – Rep. **Bill Clifford**, R-Garden City, is assigned to the committee.
 - **Judiciary** – Rep. **Susan Concannon**, R-Beloit, is assigned to the committee.
 - **Social Services Budget** – Reps. **Bill Clifford**, R-Garden City, and **Cyndi Howerton**, R-Wichita, are assigned to the committee.
- Senate Republican Committee Changes:
 - **Federal & State Affairs** -- Sen. **Rob Olson**, R-Olathe, is chair, replacing Sen. **Larry Alley**, R-Winfield, who has become Senate Majority Leader. Sen. **Alicia Straub**, R-Ellinwood, has been appointed to the committee.
 - **Agriculture & Natural Resources** – Sen. **Ron Ryckman Sr.**, R-Meade, been appointed to the panel to replace Sen. Alley.
 - **Assessment & Taxation** – Sen. **Virgil Peck**, R-Havana, has been appointed vice chair to replace Sen. **Larry Alley**, and Sen. **Gene Suellentrop**, R-Wichita, has been appointed to the committee.
 - **Financial Institutions & Insurance** – Sen. **Rick Kloos**, R-Berryton, has been appointed to the committee.

- **Commerce** – Sen. **Renee Erickson**, R-Wichita, has been named chair, replacing Olson, who will now chair Fed & State. Sen. **Brenda Dietrich**, R-Topeka, has been added to the committee.
- **Ways & Means** – Sen. **Larry Alley**, R-Winfield, has been added to the committee.
- **Education** – Sen. **Gene Suellentrop**, R-Wichita, has been added to the committee.
- House Ranking Democrat Changes
 - Rep. **Lindsay Vaughn**, D-Overland Park, has replaced Rep. **Elizabeth Bishop**, D-Wichita, on the Water Committee as ranking minority.
 - Rep. **Virgil Weigel**, D-Topeka, has become ranking on the Veterans/Military Committee, replacing Rep. **Susan Ruiz**, D-Shawnee.
 - Rep. **Susan Ruiz** will be ranking on Health and Human Services, replacing Rep. **Brett Parker**, D-Overland Park.
 - Rep. **Mari-Lynn Poskin**, D-Leawood, will replace Rep. **Virgil Weigel**, D-Topeka, as ranking on the Transportation and Public Safety Budget Committee.
- Other House Democrat Committee Changes
 - Rep. **Brandon Woodard**, Lenexa, is newly appointed to Appropriations.
 - Rep. **Christina Haswood**, Lawrence, is newly appointed to Federal & State Affairs.
 - Rep. **Dan Osman**, Overland Park, is appointed to the Financial Institutions, Corrections & Juvenile Justice, Elections, and Insurance committees.
 - Representatives **Heather Meyer** (Overland Park) and **Chuck Schmidt** (Wichita) have been added to the Water Committee.
 - Rep. **Schmidt** will also serve on the Education and Taxation committees.
 - Representatives **Kathy Wolfe-Moore** (Kansas City) and **Heather Meyer** have been added to the Health & Human Services Committee.
 - Rep. **Meyer** will also serve on the Elections and Insurance committees.
 - Rep. **Broderick Henderson**, Kansas City, has been added to the General Government Budget Committee.
 - Rep. **Virgil Weigel** will serve on the Transportation & Public Safety Budget Committee.