



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 7, 2022

Overview

Week eight after the Turnaround break was short and saw little activity in either chamber, though many committees met to hear and work bills. There is much work to be done before March 18th, the last official day for committees to meet and work bills. Conference committees will meet the week of March 21st, and then both chambers will debate bills on the floor the week of March 28th before concluding by April 1st for First Adjournment.

Big Picture Issues

With just two weeks left for committees to meet, there is no shortage of issues yet to be solved, including the following issues:

- **The State Budget.** The two budget committees are set to begin assembling their budgets within the next week, in advance of budget conference committee likely to begin the week of March 21st.
- **State Food Sales Tax Exemption.** There are still about eight bills in play when it comes to this topic, ranging from an immediate reduction to a 0% state rate, to a gradual, 3-year reduction in the state sales tax on food. Only one bill, SB 339, has passed out of committee, though the House Tax Committee is expected to advance its own version.
- **Tax Policy,** including property and income tax changes, including potentially increasing the standard deduction and allowing the carryforward of net operating losses. Regarding property taxes, there are a couple of bills making changes to last year's SB 13 which requires notice and public hearing requirements for a local government to exceed the revenue neutral rate. There are also a variety of bills aimed at property tax relief, including expanding the "SAFESR" program which provides property tax relief to seniors, as well as providing a homestead property tax refund to certain persons based on the increase in property tax over the base year property tax amount. In short, there is much tax policy yet to be decided upon.
- **Debate prohibiting changes to Medicaid, medical marijuana, healthcare including vaccines and public health issues** has yet to happen.
- **Redistricting.** While the congressional maps are now sitting in the courts, the Legislature is gearing up for debate on the state legislative district maps, which are expected to be released in the coming weeks.

Economic Development

The large economic development package passed earlier in the session known as APEX should be resolved within the next two weeks. Resolution regarding whether Kansas is selected

will have significant impact. If selected, over \$1.0 billion in revenue is removed from other tax reduction and spending consideration. If Kansas is not selected, the legislative interest in both spending and tax cutting will intensify making the conclusion of the session more complex.

February Tax Receipts

- February's tax collections continued to exceed estimates and totaled \$502.5 million, \$18.7 million above estimates. This is 10.2% above February 2021 collections. With each month's revenues continuing to exceed estimates, Governor Kelly continues urging the Legislature to pass a bill eliminating the state sales tax on food.

More Constitutional Amendments

- The list of potential constitutional amendments to be placed on the 2022 ballots continues to grow. In addition to the anti-abortion amendment on the August ballot, there are a handful of other amendments that could be added to either the primary or general ballots. It is unlikely any advance:
 - HCR 5022 would propose a constitutional amendment requiring that a sheriff be elected in each county (with the exception of Riley County).
 - HCR 5014 would propose a constitutional amendment that provides for legislative oversight of rules and regulations adopted by executive branch agencies and officials.
 - SCR 1620 would require a supermajority for passage of certain bills for new or increased state taxes.
 - SCR 1621 would provide for Senate confirmation of State Supreme Court Justices and abolish the Supreme Court Nominating Commission.
 - SCR 1622 would provide for the direct partisan election of State Supreme Court Justices and abolish the Supreme Court Nominating Commission.

Financial Institutions Related Issues

Committee Activity This Past Week

- The various TEFFI bills continue advancing through the process and one in particular, SB 337, was the first to make it across the finish line when the Governor signed it on February 25th. Other financial institutions bills that passed either chamber last week continue moving forward with hearings both this past week and next, including both Senate bills 335 and 483.
- There was one bill heard in Senate Local Government, SB 510, of some interest to financial institutions. SB 510 would enact the Kansas vacant property act to prohibit municipalities from imposing any fees or registration requirements on unoccupied residential or commercial property.
 - Financial institution proponent concerns focused on how lien holders cannot do anything until foreclosure, so vacant property remains vacant while they will have to pay fees. Proponents included the KBA, Heartland Credit Union Association, Kansas Association of Realtors, Kansas Manufactured Housing Association, and Associated Landlords of Kansas. KBA's testimony and proposed amendment for the bill can be found here: http://kslegislature.org/li/b2021_22/committees/ctte_s_loc_govt_1/misc_documents/download_testimony/ctte_s_loc_govt_1_20220303_02_testimony.html
 - Opponents included the League of Municipalities and the City of Topeka.

Housing Bills

- No movement on the housing bills this week.

- SB 369: Establishing the Kansas affordable housing tax credit act providing income, privilege, and premium tax credits for qualified low-income housing projects.
 - SB 369 is essentially state enactment of the federal low-income housing tax credit statute.
 - Passed out of Fed and State Affairs and combined with SB 375 into Sub for HB 2212.
 - On General Orders.
- SB 375: Enacting the Kansas housing investor tax credit act and expanding Kansas housing programs to facilitate economic development by providing tax credits for investment in residential housing projects in underserved rural and urban communities to accommodate new employees and support business growth.
 - Passed out of Fed and State Affairs, combined with SB 369 into Sub for HB 2212.
 - On General Orders.
- SB 376: Expanding Kansas housing programs to facilitate economic development by broadening the Kansas rural housing incentive district act to allow use of bond proceeds for construction of residential dwellings and buildings and to include the city of Topeka, increasing availability of loans or grants to rural communities for moderate income housing, establishing a program for urban communities for moderate income housing and permitting housing developments to include manufactured or modular housing.
 - Passed out of Senate Fed and State Affairs.
 - On General Orders.

Active Bills

Any new bills are in **bold**.

- SB 400 (now Sub for SB 400): Updating certain requirements and conditions relating to the creation, modification, and termination of trusts in the Kansas uniform trust code and updating the definition of resident trust for tax purposes.
 - Worked in FI&I on February 17th.
 - As discussed during the hearing, the first two sections of the bill were removed to address the conferees' concerns, and also amends the definition of resident trust.
 - Summary of the bill as amended:
http://kslegislature.org/li/b2021_22/measures/documents/supp_note_sb400_01_000.pdf
 - In short, the two sections that were removed included the provision for opting out of the rule against perpetuities as well as the decanting statute. The Judicial Council will continue to study these sections and the Legislature may address these issues in the future.
 - Passed the Senate 40-0.
 - Hearing in House FIRD Monday, 3/7.
- SB 483: Increasing criminal penalties for theft and criminal damage to property involving remote service units such as automated cash dispensing machines and automated teller machines.
 - Heard in Senate Judiciary and passed out of Senate Judiciary on 2/18. No amendments.
 - CBA provided written testimony in support. KBA and Heartland Credit Union Association testified in support.
 - Passed the Senate 40-0.
 - Hearing in House Judiciary Monday, 3/7. CBA will submit written proponent testimony.

- SB 335 KBA health plan bill: Exempting certain business entities that provide health insurance in the state but are not subject to the jurisdiction of the commissioner of insurance from payment of the annual premium tax.
 - Passed the Senate 34-0 February 17th.
 - Heard in House Insurance Wednesday, March 2nd.
- HB 2568 KMBA bill from the 2021 Session: Amending the Kansas mortgage business act by providing for mortgage business work at remote locations, license and registration renewal or reinstatement procedures, surety bond requirements and evidence of solvency and net worth and requiring notice when adding or closing branch offices.
 - Hearing in House FIRD 1/31.
 - Proponents included OSBC, Zillow, Rocket Mortgage, and the Mortgage Bankers Association.
 - Passed out of committee 2/9.
 - Passed the House 118-3 on 2/23.
 - Hearing in Senate FI&I on Wednesday, 3/9.
- 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.
 - The bill was amended and passed out of House FIRD.
 - Farm Bureau and the Kansas Corn Growers' Association requested an amendment that does the following:
 - Makes KHRC as opposed to the State Treasurer the administrator of the act.
 - Modifies the guaranteed amount specified for a certain portion of loans with moneys from the State Housing Trust Fund.
 - Establishes a limit on the total amount of such loan guarantees at \$2 million.
 - Requires fees and charges imposed by KHRC and other moneys received by KHRC to be remitted and credited to the Fund.
 - Blessed and remains alive for the remainder of Session.

TEFFI Bills

- SB 337: Converting the conditional charter issued for the pilot program under the TEFFI Act to a full TEFFI charter.
 - Signed by the Governor on 2/25.
- HB 2489: Companion bill to SB 334.
 - Passed the House 120-0 on February 16th.
 - Heard in Senate FI&I on 3/3.
- SB 377: Authorizing TEFFI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Passed the Senate 36-3 on February 15th.
 - Hearing in House FIRD Wednesday, 3/9.
- HB 2547: Authorizing TEFFI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Passed the House 120-1 on 2/23.
 - Hearing in Senate FI&I Tuesday, 3/8.

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://kslegislature.org/li/b2021_22/chamber/calendars/

Additionally, all hearings are now available online live 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/>

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Monday, March 7th.

House FIRD. 9:00 AM.

- Hearing on Sub for SB 400: Updating certain requirements and conditions relating to the creation, modification, and termination of trusts in the Kansas uniform trust code and updating the definition of resident trust for tax purposes.

House Judiciary. 3:30 PM.

- Hearing on SB 483: Increasing criminal penalties for theft and criminal damage to property involving remote service units such as automated cash dispensing machines and automated teller machines.

Tuesday, March 8th.

Senate FI&I. 9:30 AM.

- Hearing on SB 2547: Authorizing technology-enabled fiduciary financial institution insurance companies within the captive insurance act and providing for the requirements and operations thereof.

Wednesday, March 9th.

Senate FI&I. 9:30 AM.

- Hearing on SB 2568: Amending the Kansas mortgage business act by providing for mortgage business work at remote locations, license and registration renewal or reinstatement procedures, surety bond requirements and evidence of solvency and net worth and requiring notice when adding or closing branch offices.

House Insurance. 3:30 PM.

- Hearing on SB 377: Authorizing technology-enabled fiduciary financial institution insurance companies within the captive insurance act and providing for the requirements and operations thereof.

Wrap Up

Let us know if you have any questions.

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