



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 21, 2022

Overview

First adjournment is fast approaching with only two weeks left until the end of the regular Session. Week ten was incredibly busy with committees wrapping up work, more rounds of redistricting meetings to debate the House and Senate legislative district maps, and hearings on a medical marijuana proposal that is expected to advance before the end of session. Additionally, the Senate passed its budget bill early in the week and the House will do the same early next week.

Next week, both chambers will debate bills Monday through Wednesday, as well as begin to meet and conference on bills that that passed either chamber. While there are very few hearings scheduled in exempt committees next week, the House Federal and State Affairs committee will pick back up the conversation on sports wagering, something the state has tried to pass for years.

Big Picture Issues

As we have reported for the past few weeks, we are nearing First Adjournment or conclusion of the regular session, but many issues are still in play:

- The State Budget. The Senate has passed its budget and the House is expected to approve its budget early next week. The budget conference committees will likely begin meeting once the House passes its budget.
- Public health: The bill from early in the session that provides a personal exemption to immunization for school and childcare, as well as off-label prescribing, and pharmacy language passed to the Senate floor for the second time. (Senate Sub. for HB 2280).
- State Food Sales Tax Exemption. This week the House Tax committee approved its proposal to gradually reduce the state sales tax on food. Now that both chambers have their respective bills, once those proposals are debated by both chambers, the issue will be handled in conference committee.
- The Senate Federal and State Affairs committee this week held three days of hearings on a medical marijuana proposal that is expected to advance. Since the House passed its version of medical marijuana last year, if the Senate advances its version, the issue will end up in conference committee, but most likely not before Veto Session.
- Redistricting. The recently released House and Senate maps will likely be debated in both chambers this coming week.

Budget Process Update

- As mentioned above, the Senate passed its budget, and the House will do the same next week.
 - As usual, the Senate made few changes to the Governor's budget recommendations and the full Senate finalized the budget.
 - The House Appropriations Committee on Thursday night passed to the House a budget that made significant changes to the Governor's recommendations. The House adjusted expenditures for community colleges, delayed early bond payoffs, tinkered with the state employee pay raises, blocked any changes to Medicaid and instead continues the current contracts for one year.
 - As soon as the House passes its budget next week, we will begin the budget reconciliation process between the House and Senate. We expect them to resolve the budget quickly.

Governor's Budget Amendment

- The Governor released a budget amendment this week that adds an additional \$50 million for affordable housing. The \$50 million is in addition to the \$20 million already included in her budget to help with affordable housing efforts. The funds would be overseen by the Kansas Housing Resources Corporation and would be available for counties and cities with fewer than 60,000 people. \$5 million of the \$50 million would be designated for a rural home loan guarantee program that would provide a guarantee on the additional risk between the difference of the cost of a build and the appraisal up to 125% of the loan value.
- The Governor's budget amendment is one of several proposals regarding housing that are making their way through the process, including tax credits for developers and for affordable housing.

Tax Policy

- The Senate Tax committee has advanced another notable change in tax policy that would lower the income tax rate to 4.75% for individuals across the board, regardless of income and filing status. The change would take effect in tax year 2024 and would decrease state revenues by \$500 million over the following three years.
- Other significant changes included mandating complex property tax procedures for the revenue neutral rate and an appeal process to the State for perceived non-compliance.

Financial Institutions Related Issues

Committee Activity This Past Week

- House Judiciary advanced SB 483 which would increase criminal penalties for theft and criminal damage to property such as ATMs. It now awaits action in the House.
- The House passed SB 335, KBA's health plan premium tax exemption, 120-0 on 3/17.
- The House also passed Sub for SB 400 which updates certain requirements and conditions relating to trusts in the Kansas Uniform Trust Code.

Housing Bills

- SB 282: Provisions of two of the three major housing bills were included in the tax bill passed by the Senate last week. Provisions of SB 369 and SB 375 were included and are as follows:
- SB 375: Tax credits for investment in residential housing projects in underserved rural and urban communities to accommodate new employees and support business growth.

- Added to Senate tax reduction bill on March 3rd. Includes staggered tax credits depending on size to stimulate rural and low-income housing.
- SB 369: Establishing the Kansas affordable housing tax credit act providing income, privilege, and premium tax credits for qualified low-income housing projects. Essentially state enactment of the federal low-income housing tax credit statute.
- KLRD summary of SB 282 can be found here:
http://kslegislature.org/li/b2021_22/measures/documents/supp_note_sb282_01_0000.pdf

SB 376: 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.

- Mainly impacts counties with fewer than 25,000 inhabitants.
- Passed out of Senate Fed & State Affairs.

Active Bills

- 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.
 - 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_0000.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.
 - Passed the House 120-0 on 3/17.
- 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, KBA, and Heartland Credit Union Association testified in support.
 - Passed the Senate 40-0.
 - Passed out of House Judiciary 3/15. Awaiting action in House.
- 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.
 - Passed the House 120-0 March 17th.
- 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.
- Passed out of Senate FI&I 3/16.
- 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.
 - No movement on the bill but its provisions are included as part of the Governor's \$50 million housing budget amendment. \$5 million would be designated for the program to be administered by KHRC.
- SB 510: Enacting 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.
 - Unlikely to advance.

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.
 - Senate FI&I amended the bill to add definitions pertaining to out-of-state financial institutions; create requirements for state-chartered and out-of-state financial institutions engaging in fidfin transactions; and clarify the application of TEFFI Act provisions with the Kansas Banking Code regarding fidfin and TEFFI business by certain state-chartered financial institutions.
- 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.
 - Passed House Insurance 3/17.
- 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.
 - Passed Senate FI&I 3/16.

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/>

Monday-Wednesday, March 21st-23rd.

House & Senate.

- General Orders.
- Conference committees.

Thursday-Friday, March 24th-25th.
Likely budget and other conference committees.

Wrap Up

Let us know if you have any questions.

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