



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

September 21, 2022

Overview

We are less than two months away from the General Election and the Kansas Governor's race is finally heating up. Over the last few weeks, Governor Laura Kelly and Derek Schmidt have participated in a number of debates and forums, most notably the debate at the Kansas State Fair on September 10th. A recap of the raucous debate at the State Fair can be found here: <https://kansasreflector.com/2022/09/10/governor-candidates-schmidt-kelly-clash-on-kansas-state-fair-stage-in-campaigns-first-debate/>

Now that the primary is behind us, interim activity has picked up and several special committees have met for their first round of meetings over the last few weeks. This report details some of that activity, as well as revenue updates and other relevant information as we approach the General Election in about six weeks. It is safe to say the Kansas Governor's race is one of the closest and most-watched races as November 8th looms, particularly in light of the highest voter turnout in state history for the August 2nd primary. Further out in the future, everyone is beginning to prepare for their key issues for the 2023 legislative session.

Big Picture

SPARK Update

- The SPARK Executive Committee met September 16th to begin discussions on how to spend the remaining \$374 million in federal COVID-19 funds.
- In short, the SPARK Executive Committee allocated funding amounts for each of the four large categories and will meet again at some point to make more specific programmatic decisions in each category.
- The \$374 million will be divided up as follows among the four Advisory Panels but without the specific projects identified:
 - Connectivity: \$35 million,
 - Economic Revitalization: \$130 million,
 - Efficiency & Modernization: \$100 million,
 - Health & Education: \$109 million.

August Revenues

- The state's total tax receipts for August totaled \$652.5 million, or \$23.5 million than August 2021. It marked the 25th consecutive month the state's revenue exceeded estimates.

- <https://governor.kansas.gov/kansas-total-august-tax-receipts-23-5-million-more-than-august-2021/>

Other Revenue-Related Updates

- The Legislative Budget Committee met for the first time over the interim in late August to discuss state revenues and COVID-19 expenditures.
- The SGF Profile and SGF Receipts memos can be found here:
 - SGF Profile: http://kslegislature.org/li/b2021_22/committees/ctte_leg_budget_1/documents/testimony/20220825_09.pdf
 - SGF Receipts: http://kslegislature.org/li/b2021_22/committees/ctte_leg_budget_1/documents/testimony/20220825_10.pdf
- Inflation was also a much-discussed topic. The second quarter saw an inflation rate of 8.6%, the highest three-month period since the 1980s. Somewhat unusual, the Midwest region saw higher inflation than the nation as a whole. Energy and food costs largely drove much of this inflation. Excluding food and energy, inflation was still at 6%. Kansas workers saw a nominal increase in wages, but not to a degree to keep up with inflation. The unemployment rate was below 2.5% for each month of the quarter.
- The Department of Commerce also updated the committee on the status of the APEX legislation that made it possible for Kansas to secure the arrival of a Panasonic battery plant in De Soto that will bring about 4,000 jobs to the state.
- A brief summary of the Panasonic agreement, per the APEX legislation:
 - Allows up to a 12.5% credit for Panasonic, with an additional partial payroll rebate of up to 10% for 10 years based on the number of employees hired and waged paid.
 - Training reimbursement of up to 15% capped at \$5 million per year.
 - APEX provides similar incentives for suppliers and a half-percent reduction in corporate income taxes.
 - Main metrics for companies to qualify for APEX:
 - Must spend over \$1 billion,
 - Must operate within 5 years,
 - Must stay in Kansas for at least 15 years.
- The Panasonic project in De Soto will have significant impacts particularly on local school districts as well as housing demand.
- The Commerce Department's APEX update can be found here: http://kslegislature.org/li/b2021_22/committees/ctte_leg_budget_1/documents/testimony/20220825_05.pdf

Medical Marijuana

- All eyes are on Wichita as the City Council on September 13th voted 5-2 to decriminalize possession of small amounts of marijuana. Additionally, the Council voted to remove fentanyl test strips from the drug paraphernalia list, something the legislature narrowly failed to do last Session, but will likely be at the forefront of policy debate in 2023.
- This decision also comes as a Special Committee on Medical Marijuana is set to meet sometime this fall to discuss legislation to legalize medical cannabis. No meeting dates have yet been set.
- <https://www.kcur.org/news/2022-09-13/wichita-decriminalizes-fentanyl-test-strips-ditches-city-charges-for-marijuana-possession>

Interim Activities

No interim committee meetings of note have been scheduled thus far for the next three weeks, though much attention has been spent at the federal level with the controversial Credit Card Competition Act sponsored by Senators Marshall and Durbin.

Latest on TEFFI

- The Kansas Department of Commerce recently announced the rollout of its “TEFFI: SEED Grants.” The TEFFI “SEED”—Strategic Economic Expansion and Development” program makes grants available to small communities (5,000 or less) in 78 counties, ranging from \$5,000 to \$50,000. The grants are made possible through the TEFFI Development and Expansion Fund; Beneficient has contributed \$2.7 million to the Fund.
- Grants may be used for four major categories: childcare and senior programming; community vibrancy; food retail; and libraries.
- SEED Grant applications close September 30th.
 - <https://www.kansascommerce.gov/2022/08/kansas-department-of-commerce-announces-new-grant-opportunity-to-support-economic-development-in-smaller-communities/>

Kansas AG Weighs in on ESG: Environment Social Governance

- Last month, Attorney General Schmidt joined eighteen other attorneys general in signing on to a letter to BlackRock, Inc., one of the nation’s largest investment firms that also handles some portion of KPERS. The letter expressed concerns about the firm’s priorities related to energy policy.
- There is growing Republican engagement and scrutiny on private businesses who consider environment, social, and governance issues when determining investment and valuation. There is some concern that regulators may embrace similar strategies.
- <https://www.wibw.com/2022/08/13/ag-pressures-large-investment-firm-clarify-political-priorities/>

Credit Card Competition Act

- The controversy over the Credit Card Competition Act is heating up following the television and social media ad campaign sponsored by both the ABA and KBA. The ad warns consumers that this federal legislation puts credit card rewards programs at risk while harming community banks.
- While supporters claim the bill allows for greater competition among credit card companies, the banking community insists it puts consumer data at greater risk.
- Some of the nation’s largest big-box retailers have voiced their support for the legislation, including Walmart, Home Depot, and Target, alongside over 1,500 other retailers.
 - <https://www.nasdaq.com/articles/v-ma:-watch-these-stocks-as-u.s.-retailers-seek-to-end-credit-card-duopoly>

Upcoming Activities

We will be providing updates monthly and as issues arise during the fall. During the fall, interim committee meetings can be viewed live or recorded on both the Legislature’s website <http://www.kslegislature.org/li/> and YouTube <https://www.youtube.com/c/KSLegislatureLIVE>

Additionally, interim committees, membership, agendas, and testimony can be found on the Legislature’s website, although meeting documents are not always timely. http://www.kslegislature.org/li/b2021_22/committees/non_standing/#Joint

Wrap Up

Let us know if you have any questions.

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