



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 25, 2024

Overview

We are now only two weeks away from the end of the regular Session. Friday, April 5th, is First Adjournment. Following first adjournment and the brief departure of the Legislature, vetoes, appropriations, and conference committee reports, with a few exceptions, are all that will be addressed during the wrap up session. While almost all committees have wrapped up their work, Thursday, March 28th, is when all bills (except the budget and those bills eligible for conference committee) must pass their non-originating chamber or be lost for the Session. Most committees concluded their work this past week and thus, most issues that did not advance out of committee are dead. There may be a select few committees that meet early this week, such as Tax, but for the most part, regular committee work is done.

Next week will be incredibly busy, between floor debate Monday through Thursday all day in both chambers, as well as conference committees meeting. The Budget Conference Committee will begin its negotiations on Monday, and as is the case every year, will likely meet late into the evenings next week, in order to broker an agreement ahead of First Adjournment.

Highlights from last Week

- Following the Senate's passage last week of a comprehensive tax relief bill that includes a phased-in flat tax, the House Tax Committee this week responded with its own tax relief package. Notably, it does not include a flat tax, but rather, a two-tiered tax bracket that eliminates the current bottom 3.1% rate. The bill includes several provisions that the Governor supports, such as an increase in the standard deduction, an increase in the residential property exemption from \$40,000 to \$80,000 and phases out state income taxes on social security over four years. However, the proposal does not expedite the elimination of the state sales tax on food to July.
- House leadership supports the House plan, acknowledging this week that it is no longer feasible that a flat tax will pass this Session, given the chamber's inability to override the Governor's veto of a package earlier in the Session that included a flat tax.
- Additionally, the House passed its budget this week, with far fewer amendments than the Senate. For the most part, it was a largely non-controversial debate that took just under three hours (less than half the time the Senate spent debating its budget the week before). Now, the arduous budget conference process begins on Monday.
- Both House and Senate committees held hearings on Medicaid Expansion for the first time since 2020. It is unlikely the issue advances, but lawmakers received over 450 pieces of testimony (most in support) on the issue.

- Governor’s press release on the hearings can be found here, including links to the hearings: <https://governor.kansas.gov/governor-kellys-bipartisan-medicaid-expansion-proposal-receives-hearing-for-the-first-time-in-four-years/>

What’s Next

- Both chambers are scheduled for full days of floor debate Monday through Thursday this week. It is unlikely either chamber will work Friday, given the Easter holiday.
- Additionally, the Budget Conference Committee will begin meeting on Monday and meet on and off all week to reach an agreement prior to First Adjournment.
- Other conference committees will also begin meeting next week to begin negotiations on a wide range of issues from education to health to tax policy.

CBA Topics

Issues of interest to financial institutions are wrapping up in one way or another. Some are advancing steadily through the process while other, more problematic issues are, fortunately, falling by the wayside. First and foremost, the UCCC legislation has officially been presented to the Governor and awaits her approval. Second, the privilege tax rate reduction is tucked in both House and Senate tax packages and should be resolved in Tax Conference Committee over the next two weeks.

Other than floor debate next week on a few other policy issues we have been watching (in addition to the tax conference committee), KBA and the State Treasurer will hold a webinar on Tuesday, March 26th, on public funds to discuss the centralized collateral pool we summarized in last week’s report. You can register here: <https://ksbankers.com/wp-content/uploads/2024/02/Joint-Public-Funds-Webinar-Flyer.pdf> and we will provide a summary report of the webinar in next week’s legislative update.

Legislation of Interest

UCCC Modernization (Sub HB 2247).

- Introduced in Senate FI&I on Wednesday, January 24th.
- https://kslegislature.org/li/b2023_24/measures/sb495/
- Heard in Senate FI&I on Tuesday and Wednesday, February 13th-14th.
- CBA submitted written proponent testimony.
- OSBC and KBA testified in support.
- Senate FI&I inserted the contents of SB 495 into a House “shell,” HB 2247.
- Passed the Senate 33-7 on February 22nd.
- House concurred with the Senate version, Sub HB 2247, 111-11 on March 14th.
- Enrolled and presented to the Governor on March 22nd.

OSBC Legislation

- HB 2560: Providing when applications under the state banking code are considered abandoned or expired and allowing an originating trustee to have such trustee's principal place of business outside of Kansas.
 - Heard in House FI&I Monday, February 5th.
 - Provisions of HB 2560 are included in the UCCC bill, SB 495 (now Sub HB 2247).
 - HB 2560 deals with applications that are considered abandoned or expired and streamlines the process for OSBC. Currently, it takes a long time for OSBC to review pending applications that have been approved but the bank or trust may not yet be engaged in activity. Under current law, OSBC can request a

withdrawal; however, OSBC cannot demand a withdrawal. This legislation allows OSBC to move on from an application that has not met all of the requirements.

- Additionally, HB 2560 modifies a trust statute to remove some inefficiencies caused by current law that requires both the contracting and originating trustee to both be located in Kansas in order to do a bulk transfer.
- Passed the House 119-0 on 2/22.
- Passed out of Senate FI&I.
- On General Orders in the Senate Monday, March 25th.

Credit Union Statute Modernization

- HB 2561: Authorizing domestic credit unions to operate outside of the state, providing civil penalties for certain violations, allowing the administrator to enter into informal agreements, removing requirements regarding duplicate filings, establishing appeals procedures for suspended credit and supervisory committee members, and requiring the members of a merged credit union to approve such merger.
- Heard in House FI&I on Wednesday, January 31st.
- Allows domestic credit unions to do business outside of Kansas if permitted by laws of the other jurisdiction. In short, it simplifies the merger process, clarifies the enforcement authority of the Department of Credit Unions, and removes the barrier of operating solely within state boundaries.
- Adds three new sections to state credit union code and makes some amendments to remove requirements regarding duplicate filings; establishes appeals procedures when suspended credit union supervisory committee member and changes some approvals for credit union mergers.
- Passed the House on February 15th, 114-3.
- Heard in Senate FI&I on Wednesday, February 28th.
- Passed out of Senate FI&I on Tuesday, March 12th; awaits action on Senate floor.

Other Financial Institutions-Related Legislation

SB 446 Foreign Land Ownership

- SB 446: Legislation brought by the Attorney General that would prohibit acquisitions of ownership interests in certain Kansas real property by foreign individuals and entities unless authorized by the state land council and establishing the state land council.
- Failed to advance out of committee.
 - Dead.

SB 494/HB 2757 Adoption Savings Accounts

- Enacting the adoption savings account act, allowing individuals to establish adoption savings accounts with certain financial institutions, providing eligible expenses, requirements and restrictions for such accounts and establishing addition and subtraction modifications for contributions to such accounts under the Kansas income tax act.
- HB 2757 passed out of House Tax on Monday, March 11th.
- Summary of HB 2757 as amended:
https://kslegislature.org/li/b2023_24/measures/documents/supp_note_hb2757_01_0000.pdf
- SB 494 heard in Senate Tax on Tuesday, March 19th.
- SB 494 passed out of Senate Tax on Thursday, March 21st with an amendment similar to the House bill, which increases the maximum contribution amounts; clarifies that if the money is invested into a CD that the account holder will need to designate the funds as an adoption savings account; and allows the funds to be used for the adoption of children outside of the state.

- Both bills await action on the floor in their respective chambers and will be resolved in conference following passage of either chamber.

SB 512 ESG

- Prohibiting insurance companies from using environmental, social and governance criteria in the process of writing contracts of insurance, indemnity, or suretyship, authorizing the attorney general or the county attorney or district attorney where a violation occurred to enforce such prohibition and providing a civil penalty for violations thereof.
 - Dead.

Kansas Specie Legal Tender Act

- SB 513/HB 2729: Enacting the Kansas specie legal tender act and the Kansas bullion depository act, authorizing the state treasurer to approve electronic currencies backed by specie legal tender and establish, administer, or contract for the administration of bullion depositories and allowing for state moneys to be deposited in such bullion depositories and invested in specie legal tender.
 - Dead.

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/b2023_24/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 Legislative YouTube at:

https://www.youtube.com/channel/UC_0NO-Pb96CFABvxDwXAq8A

Monday, March 25th—Thursday, March 28th.

- Floor debate in both Chambers.
- Conference Committees.

Wrap Up

Let us know if you have any questions.

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