



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

January 13, 2023

Overview

As with most years, this first week has seen little floor work in either chamber, but rather, lots of informational hearings and briefings on interim committee reports. The first few weeks of this Session include a significant amount of new lawmakers' education on topics ranging from the state budget to state agencies to the process in general.

This report provides a summary of the first week's activities, from general highlights to the FY24 budget, to relevant hearings, as well as a look ahead to next week, which promises to be even busier as bill hearings begin.

Five Highlights from the Week

1. The Governor's Budget was released Thursday. More details and links to the summary and full budget are below.
2. Governor's State of the State delayed until Tuesday, January 24th, due to the Governor contracting COVID. This has somewhat delayed the Legislature's normal first-week pace of making policy priorities clear.
3. Governor Kelly released her first Executive Order of the 2023 Session, to establish an Early Childhood Transition Task Force to explore the creation of a cabinet-level agency focused solely on early childhood efforts in Kansas.
 - a. <https://governor.kansas.gov/governor-kelly-signs-first-executive-order-of-second-term-to-improve-early-childhood-care-and-education/>
4. Republicans released their 2023 policy agenda on Tuesday, detailing their legislative agenda for the Session, which includes things such as election integrity, reducing abortions, passing the parents bill of rights and prohibiting transgender students from participating in women's sports, as well as expanding the low-income student scholarship program for private schools.
5. The trend of significant economic development projects seems set to continue, with hints of several major projects—from hydrogen hubs to renewable energy investments to advanced manufacturing projects and semi-conductor facilities—in the works. The progress at Panasonic also promises to be a topic this Session, with a trailer bill likely to address several of the impacts Panasonic will have on the region.

Big Picture Issues

The state's historic ending balance focuses some spending on tax relief and mental health, and economic recovery and workforce are priorities for both the Legislature and Governor, though both have different ideas for achieving those policy goals.

Tax Issues:

- In the weeks leading up to the Session, the Governor released her three-point plan for tax relief. The Governor's plan has the following three goals:
 - Immediately eliminate the state sales tax on food,
 - Sales tax holiday for school supplies,
 - And cut taxes on social security income.
 - No sign yet of a variety of property tax bills.
 - Governor's Tax Relief Plan: <https://governor.kansas.gov/governor-kelly-releases-tax-cut-plan-to-save-kansans-more-than-500m-over-next-three-years/>
- A number of bills have been introduced to immediately eliminate the state sales tax on food, in addition to feminine hygiene products and diapers.

Governor's Budget: The State Budget Director presented Governor Kelly's budget to the Joint Committee on Senate Ways and Means and House Appropriations on Thursday, January 12th. The Governor's budget builds on continued strong revenue collections, slowing inflation, and very low unemployment. Ending state revenue balances in the current fiscal year are \$981 million (25% ending balance) and \$993 million (35.3% ending balance) in the next fiscal year.

The budget targets several areas, none particularly surprising and other than budget stabilization, few large-cost items.

Tax relief:

- Tax relief through passage of accelerated elimination of sales tax on food; establish four-day sales tax holiday; trim social security tax cliff.

Large One-Time projects.

- \$500 million to budget stabilization fund; infrastructure hub matching funds.

Healthcare focus.

- Medicaid expansion generates revenue the first two years with enhanced match; \$12 million for HCBS wavier services; foster care foster home grants; veterans services.

Education.

- Fully fund K-12, includes cost of living increase; fully fund 92% special education at \$72 million per year for five years.
- Higher education includes \$108 million including base increases and one-time expenses.

Housing and workforce.

- Variety of small projects, pilots, housing loans; 5% State employee raise.

Budget details are available here:

- The Governor's Budget Summary Report presentation can be found here: https://budget.kansas.gov/wp-content/uploads/Director_Presentation-01.12.2023.pdf
- Volumes I and II of the Governor's proposed fiscal year 2023 budget can be found here: https://budget.kansas.gov/wp-content/uploads/FY2023_GBR_Vol1-UPDATED-01.12.2022.pdf
- https://budget.kansas.gov/wp-content/uploads/FY2023_GBR_Vol2-1.12.2022.pdf

Hearings on the budget will begin in the next few weeks, by early February. The Legislature's budget deliberations will likely involve how best to spend new rounds of federal funds. While

SPARK and CARES dollars were the focus over the last few years, the Bipartisan Infrastructure Law and other recent federal measures may take up more of the time this year.

Financial Institutions Related Issues

It was a slow start to the Session for financial institutions, with few bills of note introduced and basic introductions and overviews. CBA provided an overview to the House Financial Institutions Committee and will do the same on the Senate side soon.

OSBC Bills

- OSBC announced it will introduce two bills this Session:
 - Kansas Financial Institution Security Act, to clarify OSBC's ability to enforce Federal Trade Commission's Safeguards Rule, and that it applies to all non-bank entities (i.e., TEFFIs) under its jurisdiction.
 - TEFFI Act Amendment to permit OSBC to collect FBI fingerprinting and background check requirements on TEFFI officers.

ESG

- A draft ESG bill is circulating that at first glance appears more sweeping than legislation in year's past. It has not yet been introduced so there is no bill number at this time.
- Other industry voices providing introductory comments to the House FI Committee shared that while financial institutions do not like ESG, the banking industry is not 100% objectivist to the policy and warned against unintended consequences of certain policy decisions.

Other Topics

- Other topics mentioned during industry introductions:
 - Modernization of the trust code in order to make Kansas trust companies more competitive with surrounding states.
 - Cannabis banking and the impact on financial institutions should Kansas legalize medical marijuana.
 - Cryptocurrency concerns. No action will necessarily take place at the state level this year, but an issue to monitor federally.
 - Concern of rapid consolidation of Kansas banks in the long-term.

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, January 16.

No Session. Martin Luther King Jr. Day.

Tuesday, January 17.

House Tax. 3:30 PM.

- Presentation on 2022 Special Committee on Tax Recommendations.

Wednesday, January 18.

Senate FI&I. 9:30 AM.

- Update from OSBC.

House FI&P. 9:00 AM.

- KPERS Presentation on Overview & Member Outreach.

Thursday, January 19.

Wrap Up

Let us know if you have any questions.

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