



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

Late Summer Update

August 30, 2023

Overview

It seems Summer has come to a close, even at the Kansas Statehouse, with a busy week of interim meetings commencing following a largely slow Summer. That trend will only continue over the next several weeks as other committees meet in advance of the 2024 Session. Revenue collections remain high, unemployment low, and inflation leveling out. Concerns about agriculture prices and other uncertainties continue. Here are the highlights from the last few weeks of the Summer:

Monthly Highlights

July Revenues

- July tax receipts totaled \$681 million, exceeding estimates by nearly \$14 million.
- <https://governor.kansas.gov/governor-kelly-announces-july-total-tax-receipts-13-9m-more-than-estimate/>
- Following the \$2.4 billion ending balance at the conclusion of the previous fiscal year that ended on June 30th suggests continued growth to fuel debate about spending and tax relief.

Other Finance & Revenue Updates

- The Legislative Budget Committee (LBC) met for the first time this summer to receive an update on the State budget. Here are some snapshots of the State's financial health:
 - Kansas wrapped up FY 2023 with a \$2.4 Billion ending balance.
 - Estimated ending balance in FY 2024 is \$2.7 Billion.
 - Estimated ending balance in FY 2025 continues to grow, to \$3.2 Billion.
 - These figures do not factor in the impacts of a recession, nor unexpected growth, but are rather based on historic trends.
- Chairman Waymaster shared with LBC that the Council of State Government's (CSG) Fiscal Affairs Committee this summer rated Kansas very favorably in terms of its ending balance, Budget Stabilization Fund, and overall fiscal responsibility.

Middle of the Road PAC

- Kansas will not elect a new Governor until 2026, but every Kansas Representative and Senator faces elections in 2024. Attention is beginning to turn to elections that will impact the next Legislature after the 2024 session.

- In early August, Governor Kelly announced creation of the “Middle of the Road” PAC to support moderate Republican and Democratic candidates, in an effort to break the supermajority in both chambers during 2024 elections.
- <https://kansasreflector.com/2023/08/07/gov-laura-kelly-forms-pac-to-support-moderate-gop-democratic-legislative-candidates/>

CBA Interim Activities

An issue from the 2023 legislative session continues to gain attention during the interim period and a constitutional amendment to limit assessed valuation on real property is certain to see action when the 2024 session begins.

SCR 1611

- SCR 1611, a proposed constitutional amendment, would cap most individual real estate property value increases at 4% annually. Kansas County Appraisers Association has provided some highlights:
 - Prior to the Senate’s passage of SCR 1611 with a 28-11 vote during the 2023 Session, the Senate attempted passage of SCR 1610, which ultimately failed. SCR 1610 would have capped individual property valuation increases at 3% annually.
 - Once the 2024 Legislature commences, the House Tax Committee will debate SCR 1611. If the House passes the measure, SCR 1611 will be placed on the 2024 General Election ballot.
- SCR 1611 includes some exceptions for the 4% cap:
 - Transfer or sale of property,
 - New construction,
 - Change in classification,
 - Or legal description changes.
- Different perspectives of capping valuations:
 - Pros: Potential to provide more consistency in property values from year to year, and potential to reduce complaints and value appeals. However, this may come at the expense of accuracy and fairness.
 - Problems: Creates inequity between comparable properties, potentially leading to statewide reappraisal due to inequity. Over time, the potential exists for property taxes to become regressive.
 - Similar to California Proposition 13 (2% valuation cap). Those impacts included:
 - Real estate transactions declined,
 - New homeowners began paying a disproportionate share of taxes,
 - New construction declined,
 - Homeownership percentage declined and upward mobility in homebuying became more difficult, in some cases, forcing homeowners to stay in their current homes.
 - Increase in unkept properties and condemnations.
 - RHIDs and TIFs: Negative impact to these because a cap on valuations could delay the payout of development costs and delay the property tax revenue to local taxing entities.
- Other considerations of SCR 1611:
 - Does not really change overall budget or property tax collection for any local taxing entity.
 - No significant impact on process for county appraisers.
- Challenges:

- Individual property values could still increase in a declining market if they were previously undervalued.
- Personal property is not included in the value cap. Should it be treated differently than real estate?
- Some agricultural use land could never change value.
- Potential Alternatives to SCR 1611
 - Making taxable value a percentage of market value, which is already done to some extent with assessment rates.
 - A weighted/rolling average of prior year values could be used to value individual properties each year going forward.

Credit Unions Roundtable

- Congressman LaTurner recently hosted a roundtable discussion with credit union stakeholders to discuss upcoming federal legislation impacting Kansas financial institutions, such as proposed measures from the Consumer Financial Protection Bureau and regulations on interchange income.
- <https://www.wibw.com/2023/08/24/roundtable-discussion-talks-about-legislation-impacting-financial-institutions/>

Upcoming Activities

The legislative schedule of hearings is updated regularly throughout the interim and can be found at:

http://www.kslegresearch.org/KLRD-web/Committees/2023InterimDocs/interim_mtg_schedule_2023.pdf

Other Upcoming Interims

- Special Committee on Foreign Adversary Investments and Land Purchases: September 26th-27th.
- TEFFI Oversight: November 7th.
- Special Committee on Taxation: TBD.

Wrap Up

Let us know if you have any questions.

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