



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

November 30, 2023

Overview

The countdown to January 8th has begun, and it is five short weeks until the 2024 Legislative Session begins. The interim meeting schedule is largely quiet over the next several weeks, and most committees wrapped up their work in early November. The Governor continues her statewide tour and campaign for Medicaid Expansion, and it seems that that topic may have some renewed interest and new supporters—particularly among some rural and conservative Republicans. As 2024 approaches, that is just one major policy debate of many that will play out once the Legislature returns.

Monthly Highlights

2024 Session Schedule

- Most importantly, the 2024 Session calendar and list of deadlines has been posted to the Legislature’s website and can be found here:
http://kslegislature.org/li/documents/2024_session_deadlines.pdf
- As noted above, January 8th is the first day of Session, with the midpoint of Session, or “Turnaround” falling on February 23rd.
- First Adjournment ending the regular session is set for Friday, April 5th.

Tax Policy

- As we have stated before, taxes and tax relief are going to be the hot topics of 2024. What that looks like exactly has yet to be determined, and both parties have wide-ranging proposals on the topic. A few proposals will likely be in play, and some of them will be remarkably familiar.
- Republican leadership’s proposals include:
 - 5.15% flat income tax rate.
 - Decreasing the statewide 20-mill school levy by a couple of mills.
 - SCR 1611: A constitutional amendment that would limit property tax valuation increases for real property to 4% annually. It is unlikely this proposal will advance as is, per some conversation in the latest Special Committee on Taxation.
- The Democrats have shared the following options:
 - Resume funding the Local Ad Valorem Tax Reduction Fund (LAVTRF) after roughly two decades of failing to do so.
 - Raise the exemption on the statewide 20-mill school levy to \$100,000 (from the current \$40,000).

- Proposed constitutional amendment to reduce the assessment rate on residential property from 11.5% to 9%.
- Governor's proposal of a \$450 across-the-board tax rebate.

Latest Economic Forecast for Kansas

- As happens every November (and April), economists and fiscal analysts for the state provide a forecast of the state's revenues and overall economic wellbeing. The latest estimates show the state with an ending balance of \$3.5 Billion in Fiscal Year 2025, one of the highest ending balances in state history, though roughly \$1 billion of this amount can be attributed to federal Medicaid matching dollars that saved State General Fund money. Such a healthy ending balance certainly fuels the debate for tax relief on both sides.

Committee Changes

- Committee reshuffling, while somewhat unusual in non-election years, is not unheard of, and there have been a few noteworthy changes. As previously reported, House Judiciary will have a new Chair, following longtime Topeka Representative Fred Patton in that role. Susan Humphries from Wichita will now chair that committee.
- House Leadership announced longtime Representative Brenda Landwehr (R-Wichita) would no longer serve as Vice Chair on House K-12 Education Budget and would instead be moved to House Judiciary. Representative Jason Goetz from Dodge City will take her place as Vice Chair of K-12 Budget.
- Representative Patton's successor, Kyle McNorton, will serve on the following committees: Federal & State Affairs; Education; and K-12 Education Budget.
- Changes in the Senate committee leadership assignments include Michael Fagg (R-Butler) replacing Rob Olson (R-Johnson) as chair of Senate Energy Committee. Virgil Peck (R-Neosho) will replace Dan Kerschen (R-Sedgwick) as chair of the Senate Agriculture and Natural Resources Committee.

CBA Interim Topics

UCCC Changes & Cleanup Coming in 2024

- We have had several conversations with the Chair of House Financial Institutions, as well as with the KBA, regarding legislation in the works to address changes in the UCCC and KMBA. While many of these changes have been discussed in the last few Sessions, no legislation has been seriously considered until now. It appears OSBC, KBA, and legislative leaders are in agreement regarding the changes, and hope to run a clean bill (i.e., free from any further ESG amendments) in 2024.
- In short, the proposed legislation does the following, per OSBC proposed changes:
 - Removes all mortgage provisions and places them in the KMBA.
 - Adds "Threshold Amount" in definition for all consumer credit transactions.
 - Raises cap from \$25,000 to TILA-Reg Z Threshold Adjustment (currently \$66,400).
 - Cleanup related to supervised loans, including modifying UCCC statute to allow administrator to abandon license application if incomplete after 60 days following written notice; clarifying expiration date of licenses as December 31, requirement that a renewal application and fee are due by December 1, and that a late fee may be assessed after the due date; reinstatement period through last day of February of each year without a lapse in license coverage; clarifying any renewal/reinstatement application received after reinstatement period will be

treated as an original application and subject to all such reporting and fees; modify UCCC statute to clarify that late fees paid under this section may be designated by the administrator for consumer education.

- Modify the statute to exempt supervised loan licenses from filing notification.
- Modify the statute to require books and records to be delivered within three business days.
- KBA has proposed the following in the legislation:
 - Change allowed finance charge for consumer loan from a blended rate to a flat rate of 36%,
 - Resolve discrepancy between Reg Z and UCCC regarding the prohibition against the pyramiding of late fees,
 - Resolve discrepancy in statute so that “earnings” is defined as “compensation payable for personal services,”
 - Bring thresholds for consumer loans and leases in conformity with Reg Z thresholds,
 - Increase maximum dollar amount chargeable for origination fees for non-real estate consumer transactions (fee has not been adjusted since 1999; currently the fee is 2% of the loan with a maximum of \$100),
 - Eliminate the 100% loan to value ratio limitation for loans insured or guaranteed by a federal government agency such as USDA rural development home loans.

Special Committee on Taxation

- The Special Committee on Taxation earlier this month wrapped up its work making recommendations and discussing likely topics the Tax Committees plan to address in January. Discussion and recommendations involved the following:
 - Local Sales Tax Authority: Committee discussed giving counties the same authority as cities when implementing a local sales tax for specific purposes, instead of counties constantly coming to the Legislature to ask for permission to put initiatives on the ballot. The Committee recommended legislation be introduced during Session.
 - Entity-based exemptions, i.e., potential for a broad-based exemption such as for 501(c)(3)'s. The Committee noted this would cost the state roughly \$34 million to implement. The Committee also discussed some sort of flat fee structure for organizations applying for an exemption.
 - Tax credits and incentives: Committee noted the need to explore provisions and protocol to place in statute to provide greater consistency and transparency across tax credits and incentives.
 - The Committee also recommended that any tax-related legislation must pass through tax committees, instead of other committees. This, largely in response to legislation such as APEX/Panasonic going through committees other than Tax, such as Commerce instead, or housing tax credits passing through Federal and State Affairs committees.
 - Remove from statute tax credits that are not currently utilized.
- Property Valuation: The Committee made clear the Legislature intends to act on property valuation in some form during the 2024 Session. Whether the answer remains SCR 1611 (capping assessed valuation growth at 4 percent annually) seems far less likely following the Special Committee's second meeting. However, the Committee recommended in broad terms that the Legislature move forward some policy that would put certain controls and limitations on valuation growth.
 - Some members suggested a model similar to Florida's "Save our Homes" cap, which would allow portability, as well as use of the CPI.

- Committee Democrats also reiterated the need to fund LAVTRF.

TEFFI

- The Joint TEFFI Committee met briefly in early November to hear from OSBC and representatives from Beneficient, or “Ben.” It is evident OSBC still has several concerns, particularly related to the inability to thoroughly conduct safety and soundness examinations.
- The Committee had few concrete recommendations, but discussed the following:
 - Some type of advisory committee that would establish TEFFI industry standards, promote TEFFI, etc., would also serve to better aid OSBC in its TEFFI examinations.
 - The need for legislation similar to SB 51 from last Session that deals with fingerprinting requirements. SB 51 did not advance because it did not meet FBI regulatory conformity. However, the issue will likely be addressed in the next Session as KBI is developing legislation to address the issue.

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

Wrap Up

Let us know if you have any questions.

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