



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

January 21, 2025

Overview

The 2025 Session began on Monday, January 13th. The week started slowly, little has happened, and there is not a lot of action to report. The State of the State speech and release of the Governor's budget recommendations are always customary starting points, but the Legislature has been slow to take on much substance except for a few tax legislation hearings and several of the House budget subcommittees hearings. The legislative leadership's intent to start the budget process earlier than prior years and to assert more control over the Governor's traditional budget-setting authority has not yet become a smooth process. Plans to begin fast and complete the budget earlier than normal may be accomplished, but the slow start could be a challenge if the Legislature intends to stick to a new strictly 90-day session.

Highlights of the Week

1. **New Budget Process.** The modified budget process took center stage this week, with a legislative-initiated budget introduced in House Appropriations on the first day. This is in stark contrast to the usual process, which is that the Governor's Budget typically establishes the base, while the Legislature makes amendments to the Governor's underlying budget. Any enhancements to the budget this year will be more difficult than usual, as legislative leadership has directed state agencies to prepare contingencies to implement up to 7.5% budget reductions if necessary. The majority party is targeting the State's substantial cash balances for tax reductions and suggested budget cuts are partially intended to diminish expectations of budget growth and make additional tax cuts more viable. During the 2025 session there are options to expand the budget or cut taxes, and legislative leadership has chosen tax reductions and accelerated and modified the budget process to favor flat funding and tax reductions. It is still too early to see if the changes will improve the budget process or make it more complicated.
2. **Governor's State of the State Address and Proposed Budget:** The Governor gave her State of the State Address on Wednesday evening, highlighting her Administration's accomplishments as well as some of the work she intends to accomplish in the next two years, from early childhood investments and childcare improvements, to continuing to fully fund K-12 public education, to providing free school meals to any child that qualifies for reduced school meals, building on improvements to protect the state's water resources, and seeking out more economic development opportunities. Given the new budget process, it is uncertain how seriously lawmakers will consider the Governor's budget.

- a. The Governor's State of the State can be viewed here:

<https://www.governor.ks.gov/Home/Components/News/News/497/56>

Details of the Governor's budget, including highlights as well as the full budget report, can be found here: <https://www.governor.ks.gov/Home/Components/News/News/501/56>

CBA Topics

Last week, CBA provided a community banking update to the Senate Financial Institutions Committee and will provide the same this week in House FI. KBA and OSBC also provided their updates in Senate FI&I and gave an overview of the current banking trends in Kansas as well as legislation coming up this Session.

Legislation of Interest

Public Funds

- KBA intends to introduce the public funds/PMIB modernization legislation this Wednesday in House FI&I. Hearings will follow shortly thereafter.
- The final bill draft is not yet available but should be soon after the bill is introduced.

OSBC bills

- This week, OSBC introduced several bills in Senate FI&I that are awaiting bill numbers:
 - Update the banking code with specific timelines for when banks and trusts must report director changes to the OSBC. The agency is also proposing that any bank involved in a merger transaction resulting in it being dissolved will have its charter automatically deemed void at the time of the merger.
 - Updates to trust codes so that out-of-state trust companies are held to the same standards as Kansas trusts operating in other states; simplify the process for trusts doing bulk transfers of trust accounts with out-of-state institutions.

TEFFI

- When asked by one committee member what keeps them up at night, the OSBC replied that it was TEFFIs, which continue to cause the agency "significant, ongoing concerns," because they are unable to provide any assurance of safety and soundness. (The OSBC also responded that fraud and forgery also are some of the highest concerns, with check fraud amounts increasing substantially, as well as growing cybersecurity concerns).

Other

- SB 16: Prohibiting discrimination by financial services companies on the basis of social credit score and requiring registered investment advisers to obtain written consent from clients prior to investing client money in mutual funds, equity funds, companies and financial institutions that engage in ideological boycotts.
- SB 34: Authorizing the KPERS board of trustees to invest in bitcoin exchange-traded products and providing requirements, limitations, and definitions regarding such investments.
- SB 39: Establishing the Kansas legal tender act; reaffirming gold and silver coin as legal tender; providing an income taxation subtraction modification for gains from the sale of species.

Upcoming Activities

The legislative schedule of hearings is updated regularly throughout the week and can be found in the House and Senate calendars on the Legislature website at:

https://kslegislature.gov/li/b2025_26/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

Tuesday, January 21st.

Senate FI&I. 9:30 AM.

- Overview of Kansas credit unions by Kansas Department of Credit Unions and Kansas credit union association.

Senate Tax. 9:30 AM.

- Action on SCR 1603: Property tax constitutional amendment.

Wednesday, January 22nd.

House Financial Institutions. 9:00 AM.

- CBA, KBA, and OSBC presentations.

Wrap Up

Let us know if you have any questions.

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