



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

2024 Session Preview

January 16, 2024

Overview

Despite a snowy day, the first week of the Session moved quickly. In addition to the State of the State and the Governor's budget, we had an early meeting of the tax conference committee before the week's end (which is highly unusual for the first week of Session). Quick action seems to confirm what many have suggested: legislative leadership is extra eager this year to move quickly so that lawmakers can return to their districts, ready to campaign by early spring. There is, nonetheless, much work to do.

Highlights from the Week

1. Governor Kelly delivered her State of the State Address on Wednesday evening, January 10th. The Governor highlighted five key priorities:
 - a. Medicaid Expansion,
 - b. Continue fully funding public education, including special education,
 - c. Historic investments in early childhood programs,
 - d. Tax relief across sales, income, and property taxes,
 - e. Continued investments in the state's water supply and infrastructure.
2. The Governor's budget focuses heavily on the above key priorities, as well as some additional large projects, including some big investments in one-time initiatives, from correctional facility updates to a new KU Med cancer center, and a range of community investments. Community investments include \$40 million for emergency housing matching funds to address homelessness in communities across Kansas. The Governor also proposed \$20 million in matching funds to prepare for the World Cup coming to Kansas City in 2026, along with \$10 million for Moderate Income Housing.
3. The Governor's Budget presentation can be found here: https://budget.kansas.gov/wp-content/uploads/Director_FY2025_GBR_Presentation-01.11.2024.pdf
4. The majority party has already shared strong opposition to several of the Governor's key priorities, most notably Expansion and tax relief. There will also be much debate over fully funding public schools and investing in early childhood, in contrast to school choice/vouchers.

Big Picture Issues

Tax Bills:

- The Governor released her tax plan on the first day of Session, and much of it looks familiar to what she has proposed in the past.
- Highlights of her proposal include the following:
 - Property:
 - Exempt the first \$100,000 in state property taxes for all homeowners for the 20-mill statewide school levy.
 - Restore the local ad valorem tax relief fund (LAVTRF) transfer beginning in FY 25 with \$54 million to relieve some of the residential property tax burden at the local level.
 - Sales:
 - Immediate elimination of the state sales tax on food to 0% on April 1st, 2024, as opposed to January 1st, 2025. Note: The Legislature would have to act quickly for an April 1st implementation date to be realistic.
 - Also eliminates the state sales tax on diapers and feminine hygiene products.
 - Four-day back-to-school sales tax holiday at the beginning of August.
 - Income:
 - The Governor is proposing an increase in the standard deduction: from \$3,500 to \$5,000 for single Kansans; from \$6,000 to \$7,500 for head of household filing status; and from \$8,000 to \$10,000 for married filing jointly.
- The summary of her tax relief plan can be found here:
<https://governor.kansas.gov/governor-kelly-bipartisan-lawmakers-unveil-tax-cut-plan/>

What's Next

- We do anticipate a quicker than usual start on the budget in an effort to prepare to conclude the Legislature's largest project more quickly.
- No legislative session on Monday, given the Martin Luther King Jr. Holiday.
- The Legislature resumes work on Tuesday, with committees continuing mostly informational briefings, and few scheduled bill hearings.
- The Tax Conference Committee meets again Tuesday morning to continue discussion on a comprehensive tax bill that will likely include a 5.25% flat tax proposal.

CBA Topics

This week, CBA provided a community banking update to the House Financial Institutions Committee and will provide the same next week in Senate FI&I. KBA and OSBC also provided their updates in House Financial Institutions and gave an overview of legislation that is coming this, Session. All these proposals, detailed below, do not yet have bill numbers, but we expect them to be introduced over the next couple of weeks.

CBA's testimony for House Financial Institutions can be found here:
https://kslegislature.org/li/b2023_24/committees/ctte_h_financial_institutions_and_pensions_1/misc_documents/download_testimony/ctte_h_financial_institutions_and_pensions_1_20240110_07_testimony.html and
https://kslegislature.org/li/b2023_24/committees/ctte_h_financial_institutions_and_pensions_1/

2024 Legislation

- Privilege tax legislation from 2023 Session to request corresponding rate reduction with corporate income tax reduction.
- UCCC modernization. The bill draft is in the final stages with the revisor and is likely to be introduced within the next couple of weeks. Here are the high-level components of the legislation:
 - Resolve the discrepancy between definition of “earnings” in the Kansas garnishment statute and the UCCC,
 - Change the allowed finance charge on a consumer loan from a blended rate to a flat 36% rate,
 - Increase the threshold amount for all consumer credit transactions from \$25,000 to \$69,500 to match Regulation Z,
 - Resolve the discrepancy between Regulation Z and UCCC regarding the prohibition against pyramiding late fees,
 - Increase the maximum origination fees on non-real estate consumer transactions from \$100 to \$300,
 - Eliminate the 100% loan to value limitation for loans guaranteed by a federal government agency (i.e., USDA loans),
 - Modify the requirements for record keeping,
 - And clarify licensing rules for supervised lenders.
 - Move portions related to mortgages into the KMBA.

KBA Non-profit

- This week, KBA announced the formation of “Free Market Kansans,” a 501(c)(4) nonprofit to push back against harmful legislation, namely the Credit Card Competition Act, but also other policies such as ESG. However, defeating the Credit Card Competition Act remains the number one priority for the organization.

Credit Union Legislation

- In House Financial Institutions this week, the Chairman announced that in addition to KPERS and UCCC legislation, that the Committee would also be taking up “one minor credit union bill.” Said bill has not yet been introduced, but in Senate Financial Institutions, the Credit Union association said they are “looking at differences between the state and federal charters for credit unions,” and that there are some “efficiencies at the federal charter they are looking to offer state-chartered credit unions.” They intend to address this with a “credit union statute modernization bill.”
- Kansas Credit Union Association’s testimony can be found here:
https://kslegislature.org/li/b2023_24/committees/ctte_s_fin_inst_ins_1/misc_documents/download_testimony/ctte_s_fin_inst_ins_1_20240110_01_testimony.html

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

Tuesday, January 16th.

~~Senate FI&I. 9:30 AM.~~

- ~~○ Kansas Banking Industry Updates, CBA and KBA. Canceled due to weather, to be rescheduled soon.~~

Tax Conference Committee. 10:30 AM.

- Will likely include flat tax proposal of 5.25%; increase in the standard deduction, and property tax relief. A tax conference committee report could run in the Senate as early as midweek.

Wednesday, January 17th.

House Financial Institutions. 9:00 AM.

- Credit Unions update.
- Update on Interim TEFPI report.
- Update on Joint Pensions/KPERS Interim.

Wrap Up

Let us know if you have any questions.

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