



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 18, 2024

Overview

We are fast approaching First Adjournment which ends the regular session, which is just three weeks away. All major issues—from tax relief to special education funding to Medicaid Expansion—remain unresolved as we head into the final few weeks of Session. A large volume of work will be condensed into just a couple of weeks as we approach the end. This week, for example, will see the House debate its budget bill; hearings on Medicaid Expansion; and possible early negotiations of the budget conference committee. And, late Thursday evening, the Senate advanced its tax proposal in SB 539, which includes a child tax credit, increases the residential exemption from \$40,000 to \$100,000; expedites the elimination of the state sales tax on food to July 1, 2024, removes state income tax on social security, and includes a phased-in flat tax. (SB 539 also includes the privilege tax rate reduction). The Senate passed SB 539 on a vote of 29-11.

Highlights from the Week

- After a full afternoon of debate, the Senate passed its budget with several amendments. Several issues—namely funding for World Cup preparations in Kansas City—took center stage and a significant amount of time. Several senators attempted to either fully eliminate the funding or sweep it for other projects. Senators also engaged in a somewhat heated debate over the proposal to increase legislative pay. Amendments attempting to increase funding for special education also failed. Additionally, a proposal to send several million dollars to Texas for border security aid also failed.
- Though the House did not debate its budget bill this week, it spent significant time debating, and ultimately passing Sub for SB 233 which would prohibit gender-affirming care and authorize a civil cause of action against healthcare providers who provide gender-affirming care. The House passed the bill 80-40, with four Republican members absent. The Senate now can choose to either concur with the bill, or it will go to conference committee.

Session Timeline

- This week is the last full week of committee meetings. The following week, committees will have a couple of days to wrap up work before spending the remainder of the week on the floor debating bills.
- Conference committees and floor debate will take place the week of April 1st until the Legislature adjourns on Friday, April 5th.

- It is becoming more probable the Legislature will in fact return for a Veto Session in late April, though it will likely be quite short.

What's Next

- Expect to see the House pass its budget bill next week. Whether the House is planning as many amendments as the Senate remains to be seen, but the trend suggests it will be a lively and lengthy debate.
- Once the House passes its budget bill, it is possible the Budget Conference Committee could start meeting as early as the latter half of next week.

CBA Topics

It was an eventful week for financial institutions, between the Senate passing its latest tax bill, which includes the privilege tax rate reduction, and the House concurring with the Senate's UCCC bill, Sub for HB 2247, on a vote of 111-11. It is now on its way to the Governor's desk. One issue that arose last week, but ultimately was cancelled this week, was the hearing on HB 2823 related to the residential landlord tenant act. That issue is more than likely dead for this Session.

Additionally, KBA provided a presentation to the House Financial Institutions Committee this week discussing public funds and plans to establish a centralized collateral pool. Undoubtedly, there will more than likely be an interim meeting or two about the topic, and KBA intends to collaborate with all interested parties on the issue over the summer and fall. Representative Hoheisel (R-Wichita) introduced a public funds bill, HB 2840, in House Tax this week. There will not be a hearing this Session on the bill, but it will serve as a reference point for interim discussions about a centralized collateral pool.

HB 2840: Authorizing governmental units to utilize a public moneys pooled method of securities to secure the deposit of public moneys in excess of the amount insured or guaranteed by the federal deposit insurance corporation and requiring the state treasurer to establish procedures therefor and banks, savings and loan associations and savings banks to make certain reports upon the request of a governmental unit.

https://kslegislature.org/li/b2023_24/measures/documents/hb2840_00_0000.pdf

Public Funds Presentation & Discussion

- Last week KBA, as well as Mark Schifferdecker, KBA's current Board Chairman, discussed establishing a centralized collateral pool in Kansas, similar to what some surrounding states have created, including Colorado, Nebraska, Iowa, and South Dakota.
- The goal of the centralized collateral pool is to maximize the state's ability to invest back in its local communities and improve efficiencies when pledging securities, while also making the process safer for public funds.
- For example, for banks that work with multiple public entities, a centralized collateral pool would function as a repository where banks would pledge an aggregate amount for all of the entities, instead of pledging for each separate city/county/school district, etc.
- Other items discussed included Missouri's linked deposit programs, as well as opportunities with the Municipal Investment Pool (MIP).

- Missouri recently made changes to its linked deposit loan programs, increasing its programs from \$800 million to \$1.2 billion, in part because they have fewer restraints and loan limits on its programs.
- Re: MIP: There is a discrepancy in MIP rates between the statutory rate for banks and what the MIP offers to municipalities. Changing the rates to make them level requires a statutory change, which will likely be discussed in the interim in preparation for the next Session.
- In 2006, KBA and CBA conducted a study regarding “How Public Funds Impact the Kansas Economy.” The industry would like to issue another study to be discussed during the interim.
- KBA’s presentation, “Public Funds Pooled Collateral and Linked Deposit Loan Modernization,” 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_20240313_02_testimony.html
- Mark Schifferdecker’s presentation 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_20240313_03_testimony.html
- Additionally, the State Treasurer’s Office provided an update on the utilization of the state’s linked deposit loan programs, including the ag production loan deposit program, which has issued over 1,800 loans since its creation in 2000. There are currently 83 active ag loans totaling \$13.7 million, issued by 10 banks to 125 borrowers, across 29 counties.

Legislation of Interest

UCCC Modernization (Sub HB 2247)/HB 2812.

- Introduced in Senate FI&I on Wednesday, January 24th.
- SB 495 (now Sub HB 2247): https://kslegislature.org/li/b2023_24/measures/sb495/
- Heard in Senate FI&I on Tuesday and Wednesday, February 13th-14th.
- CBA submitted written proponent testimony.
- OSBC and KBA testified in support.
- Senate FI&I inserted the contents of SB 495 into a House “shell,” HB 2247.
- Passed the Senate 33-7 on February 22nd.
- HB 2812 heard in House FI&P on Monday, March 11th.
- The House concurred with the Senate version, Sub HB 2247, 111-11 on March 14th.
- Awaits the Governor’s approval.

OSBC Legislation

- HB 2560: Providing when applications under the state banking code are considered abandoned or expired and allowing an originating trustee to have such a trustee’s principal place of business outside of Kansas.
 - Heard in House FI&I Monday, February 5th.
 - Provisions of HB 2560 are included in the UCCC bill, SB 495 (now Sub HB 2247).
 - HB 2560 deals with applications that are considered abandoned or expired and streamlines the process for OSBC. Currently, it takes a long time for OSBC to review pending applications that have been approved but the bank or trust may

not yet be engaged in activity. Under current law, OSBC can request a withdrawal; however, OSBC cannot demand a withdrawal. This legislation allows OSBC to move on from an application that has not met all of the requirements.

- Additionally, HB 2560 modifies a trust statute to remove some inefficiencies caused by current law that requires both the contracting and originating trustee to both be located in Kansas in order to do a bulk transfer.
- Passed the House 119-0 on 2/22.
- Heard in Senate FI&I Tuesday, March 5th.
- Will likely not advance since provisions of the bill are included in the UCCC legislation.

Credit Union Statute Modernization

- HB 2561: Authorizing domestic credit unions to operate outside of the state, providing civil penalties for certain violations, allowing the administrator to enter into informal agreements, removing requirements regarding duplicate filings, establishing appeals procedures for suspended credit and supervisory committee members, and requiring the members of a merged credit union to approve such merger.
- Heard in House FI&I on Wednesday, January 31st.
- Allows domestic credit unions to do business outside of Kansas if permitted by laws of the other jurisdiction. In short, it simplifies the merger process, clarifies the enforcement authority of the Department of Credit Unions, and removes the barrier of operating solely within state boundaries.
- Adds three new sections to state credit union code and makes some amendments to remove requirements regarding duplicate filings; establishes appeals procedures when suspended credit union supervisory committee member and changes some approvals for credit union mergers.
- Passed the House on February 15th, 114-3.
- Heard in Senate FI&I on Wednesday, February 28th.
- Passed out of Senate FI&I on Tuesday, March 12th.

Other Financial Institutions-Related Legislation

SB 446 Foreign Land Ownership

- SB 446: Legislation brought by the Attorney General that would prohibit acquisitions of ownership interests in certain Kansas real property by foreign individuals and entities unless authorized by the state land council and establishing the state land council.
- Heard on February 7th in Senate Federal & State Affairs.
- All major agriculture groups are strongly opposed.
- Several issues with the bill, including broad language that would make it nearly impossible to enforce.
- Exempt and alive for remainder of Session.

SB 494/HB 2757 Adoption Savings Accounts

- Enacting the adoption savings account act, allowing individuals to establish adoption savings accounts with certain financial institutions, providing eligible expenses, requirements and restrictions for such accounts and establishing addition and subtraction modifications for contributions to such accounts under the Kansas income tax act.
- Exempt.
- HB 2757 heard in House Tax on Tuesday, February 20th.

- Proponents included Senator Blasi (R-Wichita), Representative Estes (R-Wichita), the State Treasurer, as well as Heartland Credit Union Association and KBA.
- HB 2757 passed out of House Tax on Monday, March 11th.
- Hearing on SB 494 in Senate Tax on Tuesday, March 19th.

SB 512 ESG

- Prohibiting insurance companies from using environmental, social and governance criteria in the process of writing contracts of insurance, indemnity, or suretyship, authorizing the attorney general or the county attorney or district attorney where a violation occurred to enforce such prohibition and providing a civil penalty for violations thereof.
- Exempt.

Kansas Specie Legal Tender Act

- SB 513/HB 2729: Enacting the Kansas specie legal tender act and the Kansas bullion depository act, authorizing the state treasurer to approve electronic currencies backed by specie legal tender and establish, administer, or contract for the administration of bullion depositories and allowing for state moneys to be deposited in such bullion depositories and invested in specie legal tender.
 - HB 2729 will be heard in House Financial Institutions on Monday, Feb. 19th.
 - SB 513 will be heard in Senate Fed & State Affairs on Monday, Feb. 19th.
 - Requested by Senator Thompson on the Senate side.
 - Sponsored by coalition of thirty lawmakers on the House side, including conservative Republicans and a handful of Democrats:
https://kslegislature.org/li/b2023_24/measures/documents/hb2729_00_0000.pdf
 - Legislation is unlikely to advance, especially on the House side. There is a chance it will pass out of Senate Federal & State Affairs, but the Committee is especially divided on the issue, and it may not have the support it needs to advance.

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, March 18th.

Tuesday, March 19th.

Senate Tax. 9:30 AM.

- Hearing on SB 494: Adoption Savings Accounts.

Wednesday, March 20th.

Wrap Up

Let us know if you have any questions.

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