



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

November Legislative Update

November 27, 2024

Overview

After a relatively slow interim, the pace has picked back up in Topeka following the General Election and in anticipation of the 2025 Session which begins Monday, January 13th. Interim committees have met in earnest over the last couple of weeks now that lawmakers have left the campaign trail behind. Committees on affordable housing, corrections, banking, KPERS, and child welfare have all met and made recommendations to the 2025 Legislature. Below, we detail relevant discussion topics and recommendations, and those formal reports to the Legislature will be made available in January.

Election Outcomes & Impact

The 2024 General Election resulted in an even stronger supermajority for Republicans in the Kansas Legislature, where they now have 88 and 31 members in the House and Senate, respectively. In the House, Representatives flipped three Democratically held seats (two in Johnson County and one in Reno County) in the House and two Democratically held seats in the Senate (Leavenworth and Riley counties). The new margins in both chambers make it highly likely that anything the Governor vetoes will be overridden by both Chambers. Leadership elections will occur the first week of December, and committee assignments will be doled out soon after. There will be an influx of new legislators to educate on a plethora of issues and priorities. In addition to new legislators in general, there will be several new committee chairs in both chambers (among them, House and Senate Education committees, Senate Local Government committee, House Health, Senate Financial Institutions and Insurance, Child Welfare and Foster Care, House Corrections and Juvenile Justice, and Social Services Budget).

New Budget Process

As we have previously reported, a new, Legislature-initiated budget process is in the beginning stages, and the Special Committee held its first meeting on November 8th. The Committee will hold four additional meetings before the Session begins, to receive an overview of agency budgets. Thus far, the Committee has not made any firm decisions about the budget, but it seems the main purpose for meeting in advance of the Session is to review agency budgets as they were approved in the 2024 budget bill as the base for the next budget.

As far as the new process goes, a Legislature-initiated budget is not uncommon, but will certainly be a significant process change for the Administration. A handful of other states have some type of legislative-initiated, or hybrid model, budget process in place. This Kansas Legislative Research Department memo provides an overview:

https://kslegislature.gov/li/b2023_24/committees/ctte_spc_2024_on_bdgt_and_dev_1/documents/testimony/20240822_05.pdf

Additionally, a group of legislators and the state's economists met mid-November to adopt the Consensus Revenue Estimates, which forecast the State's projected tax revenue for the following year. The Division of Budget's official consensus revenue estimate memo can be found here: https://budget.kansas.gov/wp-content/uploads/CRE_Long_Memo_11-22-2024.pdf

In short, the forecasts show a gradual decline in the state's revenue as a result of the tax cut package enacted after the 2024 Special Session. While the state's ending balance remains healthy for the current fiscal year, estimators project slowed growth through fiscal year 2026. Uncertainty over ending balances in the near future will certainly play a role in the coming property tax debate, which is expected to be at the forefront of the 2025 Session.

Top Issues for the 2025 Session

While the lengthy list of hot topics for the 2025 Session surely isn't set in stone, there are a few topics we are sure will be top of mind for many:

- Property tax relief: We expect a variety of proposals, from capping valuations through a variety of constitutional amendments, changes to various aspects of the appraisal process, including residential and commercial valuation.
- Variety of public health and healthcare topics: It remains to be seen just how changes at the federal level may impact public health policy at the state level, from issues such as vaccinations to fluoride. It is certain federal policy may bring new changes to states, but it will also serve to invigorate local engagement on long-resolved health issues.
- Education: With a strengthened supermajority in both chambers, and a school finance formula set to expire in two years, there will be no shortage of debate over school finance, vouchers, special education funding, curriculum, and parents' rights to direct their children's education.
- We will learn over the coming months the extent to which federal debate and action initiate action in Kansas.

CBA Topics

The biggest news of note this month was the interim on public funds investments and PMIB modernization, which is further detailed below. Tom Pruitt, President and CEO of Peoples Bank, testified on behalf of the CBA. The policy recommendations discussed during the two-day hearing will be further considered by the standing financial institutions committees during the 2025 Session.

Special Committee on Centralized Pooled Collateral and PMIB Modernization

Hearings on YouTube

- The Special Committee held two streamlined days of hearings on public funds-related policy designed to keep more public funds invested within the state at the local level.
- The two days of hearings can be viewed on the Legislature's YouTube at the following links. Tom Pruitt's testimony on behalf of CBA can be viewed at approximately the 3:52:00 mark on the first day: <https://www.youtube.com/watch?v=7cN-p4yIpNk>
- Day two: <https://www.youtube.com/watch?v=qccSGC7II1g>

Testimony

- A link to all of the testimony, including Dr. Breit's presentation on public funds investment policy, can be found here: https://kslegislature.gov/li/b2023_24/committees/ctte_spc_2024_on_pmib_modern_1/documents/?date_choice=2024-11-18
- CBA's written testimony: https://kslegislature.gov/li/b2023_24/committees/ctte_spc_2024_on_pmib_modern_1/documents/testimony/20241118_04.pdf

- KBA’s testimony, highlighting the seven policy recommendations:
 - Adopt a centralized collateral pool program, similar to what surrounding states have, such as Nebraska and Colorado.
 - Lower the statutory PMIB bank CD program rate.
 - Adjust the statutory bank investment rate.
 - No formal recommendation to eliminate or how much to lower, but the standing financial institutions committees will explore this further during Session.
 - Clarify legislative intent on rate negotiations.
 - Create oversight process for public funds investments.
 - Treat bond proceeds as public funds.
 - Limit third-party investment advisors to actively invest public funds they are advising.
 - https://kslegislature.gov/li/b2023_24/committees/ctte_spc_2024_on_pmib_modern_1/documents/testimony/20241118_02.pdf
- Ultimately, the Committee agreed to further review these seven items during the 2025 Session in the two standing committees.
- Additionally, the standing committees during Session will have further conversation about overhauling the state’s current linked deposit loan programs for ag, housing, and economic recovery. Missouri’s linked deposit loan programs are heavily utilized and successful, so the Legislature may look at ways to mimic the flexibility of Missouri’s programs.

Other Topics

Special Committee on Available and Affordable Housing

- The Special Committee met for two days and heard from a variety of stakeholders, from the Kansas Housing Resources Corporation (KHRC), Wichita State University Center for Real Estate, Kansas Association of Realtors, United Community Services of Johnson County, Kansas Housing Association, Kansas Manufactured Homes Association, National Association of Home Builders, and the Kansas Bankers Association.
- A significant portion of discussion ultimately focused on changes at the local government level related to zoning and codes, and we expect there will be significant discussion on this topic in the standing local government, or possibly commerce committees, during Session.
- An additional recommendation included a proposal by Senator Shallenburger (Baxter Springs) for a rebate program for developers in rural areas to recoup some of their building costs once the development is complete.
- KBA’s testimony to the Housing committee can be found here https://kslegislature.gov/li/b2023_24/committees/ctte_spc_2024_on_housing_1/documents/testimony/20241120_06.pdf and included the following possible recommendations for the Committee to consider:
 - Adjustments to the current housing linked deposit loan program,
 - Technical cleanup to the Kansas Housing Investor Tax Credit (KHITC) program, to prevent the credit losing a year of carry-forward if it is not sold within the same year it is acquired,
 - Continued support for KHRC and its programs, such as the Moderate Income Housing program.
- <https://kansasreflector.com/2024/11/21/rural-kansas-needs-thousands-of-homes-per-year-to-address-shortage-lawmakers-hear/>

TEFFI Oversight Committee

- The Joint Committee on TEFFI oversight met on November 21st to receive updates from Beneficient, OSBC, and the Department of Commerce.
- Beneficient requested some legislative changes to the TEFFI Act, including a decreased application fee for TEFFIs wanting to operate in Kansas (the current application fee is \$250,000), and they also requested changes to their current lending limits, as well as a few other technical changes. The Committee recommended the standing financial institutions committees further explore these issues.
- Additionally, the standing committees will further discuss OSBC's recommendations regarding TEFFIs, including the ability for OSBC to conduct safety and soundness exams for TEFFIs. The Committee also recommended further discussion on a process for if a TEFFI liquidation occurs.

Upcoming Activities

The legislative interim committee meetings are available online live and archived by the end of each day. You can find those hearings on the Kansas Legislature YouTube at:

https://www.youtube.com/channel/UC_0NO-Pb96CFABvxDwXAq8A

Monday, December 2nd.

Legislative leadership elections.

Thursday, December 12th.

Special Committee on Legislative Budget. Agenda TBD.

Friday, December 13th.

Special Committee on Legislative Budget. Agenda TBD.

Wrap Up

Let us know if you have any questions.

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