



Community Bankers Association of Kansas Legislative Update

January 24, 2017

Overview

The 2017 session begins with many challenges and issues. The emphasis is on state tax policy, state budgets, K-12 school funding and writing a new finance plan. With massive revenue shortfalls, almost forty percent of the Legislature is new, and led by very new coalitions, the 2017 Legislature has begun. This report includes information regarding the Governor's State of the State speech, his budget/revenue plan, a review of recent committee activities, and a look at proposed legislation and upcoming events.

State of the State and Budget

The Governor's State of the State address on January 10th raised several policy issues he wants to pursue, but it included the firm rejection of repeal of the 2012 tax policy and continued repudiation of any discussion of expanding Medicaid. The speech and the budget included some key ideas:

- \$350 million shortfall in the current fiscal year and \$550 million in next fiscal year addressed by one-time funding shifts and little new revenue.
- Delay K-12 school payments postponing \$75 million in expenses.
- Consolidate USD health insurance programs and purchasing for \$47 million in Fiscal Year 18 and \$89 million in Fiscal Year 2019 in savings.
- Do not pay back KPERs loan to ourselves, and instead of making payment reduces (\$86 million). Freeze KPERs contributions and extend amortization by ten years for schools.
- Short-term loan from State's Pooled Money Investment Board short-term interest earnings paid back over next seven years. Estimated at \$45 million annually.
- Sell future tobacco settlement income and gain between \$480 and \$775 million.
- Double the privilege fee on KanCare managed care companies for up to \$36 million and increase the hospital provider assessment.
- Other items: \$1 pack tobacco tax to gain \$46 million and double the liquor enforcement tax to gain \$55 million. Increase incorporation fees from \$40 to \$200 for non-profit entities.

The PowerPoint for the Governor's State of the State speech and budget can be found at:

<https://governor.kansas.gov/2017-state-of-the-state/>

http://budget.ks.gov/publications/FY2018/FY2018_Budget_Overview--01-11-2017.pdf

House and Senate budget committees were briefed on the Governor's budget during the first two weeks. Parties on both sides of the aisle expressed disappointment with what they called "one-time money" and the lack of direction from the Governor on filling the existing 2017 budget hole. Brownback said he wants the Legislature to have a "fix" for the current fiscal year in bill form on his desk by the end of January. That's not likely to happen. This budget and revenue streams will not advance even if a few components survive.

The Legislature has begun work on the Governor's proposals as committees discussed different ways to fill the \$350 million deficit. While generally unhappy about one-time budget fixes proposed by the Governor, some legislators suggested that his proposal to borrow against the state's idle funds may be the "best of the bad options" to balance the budget in the tight timeframe. There is also great concern about further delaying

KPERS payments and less concern about selling tobacco settlement revenue. Other proposals being suggested include across the board cuts and forcing school districts to spend down cash reserves. Expectations anyone had about a quick resolution of the current year budget are fading. The House and Senate budget committees will try to produce the current year rescission bill next week.

The House Tax committee held a hearing on House Bill 2023 Thursday that would repeal the business tax exemption. Department of Revenue Secretary, Sam Williams, testified against the bill saying the 2012 tax policy was aimed at growing business in the state and that it's been successful. Legislators questioned the secretary and asked for data to show correlations between the exemption and job growth. The bill is retroactive to January 1, 2017. The hearing will continue next week. It is assumed some of the one-time fixes are needed to get out of the current fiscal year and these, and other tax increases, will be necessary for the future budget year.

Most likely, additional budget reductions will be imposed in the coming week from the Legislature and presented to the Governor.

Proposed Legislation

All bills are new this year and many have not been introduced yet. Some have not yet been seen in writing. Not all bills listed have been evaluated and some have yet to be published.

Bills that have been published and the bill history can be found on the Legislature's official website: http://www.kslegislature.org/li/b2017_18/measures/bills/

As bills begin to receive hearings and move through the process, we will report on each topic individually in greater detail. Key House and Senate Committee membership lists are included at the end.

Senate Bill 18: Amending Kansas Mortgage Business Act

- Application procedural updates including abandoned applications; accounting procedures.
- Hearing in Senate Financial Institutions and Insurance 1/26.

Senate Bill 20: Amending the State Banking Code

- Procedural issues including insurance requirement for tangible property of bank or trust company; bank board requirement for recorded minutes reflecting any action by the board.
- Hearing in Senate Financial Institutions and Insurance 1/24.

Senate Bill 21: Amending Kansas Money Transmitter Act

- Defines money transmitter "service provider"; renewal date requirements; procedures to determine incomplete application.
- Hearing in Senate Financial Institutions and Insurance 1/26.

House Bill 2110: Requiring Nonresident Trust Entity Applicants to Prove That Their Home State Authorizes Kansas Trust Entities.

- Requires home state of out of state trust entities to authorize Kansas trusts to work in that home state.
- In House Financial Institutions and Pension. No hearing set.

Wrap Up

Please let us know if you have questions.

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Key House Committees 2017

- Financial Institutions and Pensions-Chair Jim Kelly, R-Independence, Vice Chair Randy Powell, R-Olathe, Ranking Minority Gail Finney, D-Wichita. Members: Doug Blex, R-Independence, Brenda Dietrich, R-Topeka, Willie Dove, R-Bonner Springs, Roger Elliott, R-Wichita, John Eplee, R-Atchison, Daniel Hawkins, R-Wichita, Tim Hodge, D-N. Newton, Russ Jennings, R-Lakin, Fred Patton, R-Topeka, Ed Trimmer, D-Winfield, Kent Thompson, R-Iola, Jene Vickrey, R-Louisburg, Virgil Weigel, D-Topeka, and Brandon Whipple, D-Wichita.
- Tax-Chair Steven Johnson, R-Assaria, Vice Chair Tom Phillips, R-Manhattan, Ranking Minority Tom Sawyer, D-Wichita. Members: John Alcala, D-Topeka, Tom Burroughs, D-Kansas City, Susan Concannon, R-Beloit, Ken Corbet, R-Topeka, Erin Davis, R-Olathe, John Eplee, R-Atchison, Shannon Francis, R-Liberal, Jim Gartner, D-Topeka, Dan Hawkins, R-Wichita, Jim Kelly, R-Independence, Les Mason, R-McPherson, KC Ohaebosim, D-Wichita, Richard Proehl, R-Parsons, Abraham Rafie, R-Overland Park, Ken Rahjes, R-Agra, Louis Ruiz, D-Kansas City, Adam Smith, R-Weskan, Jack Thimesch, R-Cunningham, Kristey Williams, R-Augusta, and Kathy Wolfe Moore, D-Kansas City.

Key Senate Committees 2017

- Assessment and Taxation-Chair Caryn Tyson, R-Parker, Vice Chair Dan Kerschen, R-Garden Plain, Ranking Minority Tom Holland, D-Baldwin City. Members Larry Alley, R-Winfield, Jim Denning, R-Overland Park, Marci Francisco, D-Lawrence, Dan Goddard, R-Parsons, Julia Lynn, R-Olathe, and Mike Petersen, R-Wichita.
- Financial Institutions and Insurance-Chair Jeff Longbine, R-Emporia, Vice Chair Rick Billinger, R-Goodland, Ranking Minority Lynn Rogers, D-Wichita. Members Bruce Givens, R-El Dorado, Anthony Hensley, D-Topeka, Rob Olson, R-Olathe, Dennis Pyle, R-Hiawatha, Gene Suellentrop, R-Wichita, and Rick Wilborn, R-McPherson.