



**KANSAS STATE COUNCIL
SOCIETY FOR HUMAN RESOURCE MANAGEMENT**



January 20, 2017 Legislative Update

It was mostly committee work this week in the Kansas Legislature with plenty of bill introductions, agency presentations and a few hearings throughout. Budget committees continued to receive briefings from the Governor's staff and legislative researchers on the details and impact of his proposed budget to fill the \$350 million shortfall for fiscal year 2017. As they churn through, it's clear that many Legislators do not support the choices made to balance the state budget. We don't expect to see much action taken on the FY17 rescission bill or the biennial budget for FY18 and FY19 for at least few weeks.

The legislature did pass its first piece of legislation this week, when they passed HB 2017 and put it on the governor's desk for his signature in less than a week. The bill updates the procedure for calling a special election when a congressional seat becomes vacant and addresses the upcoming election which will be held for the soon to be open seat held by Congressman Mike Pompeo who will become CIA Director for the Trump Administration.

Both the House and Senate are meeting Pro Forma again today, with no business on the calendar.

Response to Governor's Budget Proposal

The House Appropriations and Senate Ways and Means committees heard this week from Scott Gates, General Counsel for the State Treasurer's office, step-by-step how Governor Brownback's main proposal to liquidate the state's long-term investment fund would work.

The \$317 million in one-time money for FY17 is not a popular choice among Legislators, who would rather have seen the Governor cut spending or repeal the LLC tax "loophole". Even while concerned about a further reduction in the state's credit rating, some lawmakers have acknowledged that this might be the best bad option they have. According to Gates, State Treasurer Ron Estes does not endorse Brownback's loan proposal and would remain neutral should a bill come forward.

The K-12 Budget Committee – formed to craft a new school finance formula this Session – also sent a clear message of disapproval this week by passing out a formal recommendation to the Appropriations committee that the state reject another provision in the Governor's proposed budget to delay future payments to the Kansas Public Employees Retirement System (KPERS). Brownback has proposed to delay a \$75 million payment into next fiscal year. K-12 Budget Committee Chairman Larry Campbell (R-Olathe) was quoted as saying, "It's a statement," that this panel does not support Governor Brownback's rescission bill plan.

As unpopular as it is, lawmakers have asked legislative staff to provide runs on an across the board cut to state agencies, including each school district, as they look at other budget fix options over the next few weeks.

HB 2023, Repeal of Small Business Tax Cuts

House Bill 2023 was heard in the House Tax committee yesterday. The bill would be a full repeal of the 2012 small business/LLC tax cuts, subjecting non-wage business income to state tax, retroactive to January 1, 2017.

Committee Chairman Steven Johnson (R-Assaria) has not been shy in his attempt to move quickly on the bill in hopes, if passed, to see revenue increases reflected in this fiscal year. The Department of Revenue estimates HB 2023 would increase State General Fund revenues by \$178.6 million in FY 2018 and \$139.7 million in FY 2019.

This measure is seeing some momentum this year with the more moderate Legislature elected in November. Over 40 conferees were lined up to testify on the bill, which extended into the evening hours last night and will continue on Monday.

Proponents include several area Kansas City chambers of commerce, Tax Foundation, former Representative and construction business owner Mark Hutton, former Senate Vice-President and attorney Jeff King, and the Kansas Association of School Boards. The longer list of opponents included the Kansas Chamber of Commerce, Kansas Policy Institute, and many small business owners from across the state.

Workers Compensation

On Thursday, HB 2043, which eliminates the 5-year audit requirement for work comp pools was heard in House Insurance on Thursday. The KS Department of Insurance and Kansas Self-Insured Association support the measure for efficiency purposes. Insurance agents oppose the measure arguing it is reduced oversight.

Several other measures were introduced this week. SB 44, which addresses coverage for volunteer members of search and rescue, was introduced in Ways & Means. Also, in House Tax, former House minority leader Tom Burrough, Kansas City-D introduced a bill on employee physician choice.

Economic Development and Workforce

HB 2015, which creates the Kansas Innovation Zone Act and reinstates the Kansas Enterprise Zone Act, has been referred to House Commerce, Labor and Economic Development Committee. It also requires the Secretary of Commerce to establish an innovation zone program for the purpose of providing grants to business incubators that qualify. The legislation allows for certain state income tax credits and requires an annual

\$10 million transfer from the State General Fund to the Kansas Economic Development Initiatives Fund.

In the spirit of efficiency, HB 2057, which proposed to abolish the Division of Workforce Development in the Department of Commerce was introduced by Representative Claeys, Salina-R. The bill transfers the powers, functions, assets and liabilities to the Department of Labor where a Division of Workforce and Employment Development is created and has been referred to the House Committee on Commerce, Labor and Economic Development.

KanCare Extension Denied

The Statehouse was buzzing yesterday after the Topeka Capitol-Journal broke a story late Wednesday night that the federal government rejected KanCare's request to extend the state's Medicaid program another year.

The Kansas Department of Health and Environment (KDHE) requested the extension on December 8, 2016 and received notice of denial from the Centers for Medicare and Medicaid Services (CMS) on Tuesday of this week. The letter stated that KanCare is "substantively out of compliance" with federal law. After an on-site review in October, CMS found limited coordination between state agencies, posing risk to the health and safety of some participants. They also concluded that Kansas lacked appropriate oversight of the managed care organizations.

CMS gave KDHE until February 17 to respond with a Corrective Action Plan addressing each finding and their intended implement changes. In an already overloaded and intense legislative session for lawmakers, it appears that serious Medicaid reform is also on the short-term agenda.

Campus Carry Bills Introduced

Debate over conceal carry heated up this week in Topeka after Representative Stephanie Clayton (R-Overland Park) introduced House Bill 2042 on Tuesday that would permanently exempt state colleges and universities from allowing concealed guns on campus.

A law passed in 2013 required all public buildings to allow concealed guns, unless adequate security (guards and metal detectors) are in place. Colleges and universities received a four-year exemption, which expires on July 1. The bill is before the House Federal and State Affairs Committee and no hearing has been scheduled.

Looking Ahead

Senate Ways and Means Committee Chairwoman Carolyn McGinn (R-Sedgwick) assigned members to budget subcommittees yesterday, so we anticipate the start of those meetings next week. Subcommittees will tackle focused areas of the state budget and bring their expertise and recommendations to the full committee for consideration.

In addition, Tax Committees in both Chambers will continue to receive briefing on tax policy, with the House Tax committee looking at sales tax exemptions and income tax deductions while the Senate will look at both personal and business income taxes.

Democrats are scheduled to hold a press conference on Tuesday outlining their agenda for the 2017 Session. We expect to see several employment law issues on their agenda including workers compensation reforms and prevailing wage.