



Kansas State Council of SHRM, Inc.  
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### February 10, 2017 Legislative Update

What started as forward momentum toward closing the roughly \$350 million shortfall for this fiscal year, ended with Legislators back at the drawing board by week's end. On Tuesday, the Senate Ways and Means committee passed two budget bills that would have eliminated the deficit in FY17. Then on Wednesday, the Senate Assessment and Taxation committee passed a tax bill that would have taken a bite at the deficits in FY18 and FY19. However, after learning they didn't have enough votes to pass both plans, Thursday's scheduled floor debate was called off. It now appears that the work has shifted to the other chamber as the House Taxation committee passed a tax bill late yesterday, and the House Appropriations committee plans to work their budget rescission bill on Monday.

#### Budget and Tax Plans

**Senate Bill 27** is the Senate's rescission bill, which adjusts this fiscal year's budget to produce a positive ending balance. The bill cuts \$128 million (5%) from K-12 funding, \$23 million (3%) from higher education and \$3 million from various agencies. It creates a \$15 million fund to help school districts without enough cash reserves to absorb the loss. The bill also delays repayment of \$90 million borrowed last year from KPERS. It passed the Senate Ways and Means committee on Tuesday 9-4. A companion bill, **SB 115**, also passed the Ways and Means committee on Tuesday that approved liquidation of \$100 million from the state's long-term investment fund. The Governor proposed borrowing from the Pooled Money Investment Board (PMIB) the full principal amount of \$317 million.

**SB 147** was heard in the Senate Assessment and Taxation committee on Monday and passed on Tuesday. It includes a full repeal of the 2012 LLC cuts with retroactivity to 2017, and increases personal income tax rates on both brackets. For joint filers, it would raise the rate from 2.7% to 3% on income under \$30,000 and from 4.6% to 4.9% on income over \$30,000. The bill is expected to raise \$288 million in FY18 and \$372 million in FY19.

Both the budget bills and tax proposal were scheduled for a long day of floor debate beginning at 8:00 a.m. on Thursday. Senate President Susan Wagle (R-Wichita) and Vice President Jeff Longbine (R-Emporia) postponed the session that morning when they realized they didn't have the 21 votes needed in their caucus to pass the bills. Several Senators voiced serious opposition to cutting schools while some were concerned with Governor Brownback's potential veto of the tax increase. Senate leaders also froze debate on all other bills until they pass a budget and tax plan.

After the stall in the Senate, the House Taxation committee, led by Democrats, squeezed out a tax bill late yesterday afternoon by a vote of 13-9. **House Bill 2178** also includes a full repeal of the small business tax exemption, but adds a third bracket rate of 5.45% for income over \$100,000 for joint filers. The bill is retroactive to January 1, 2017 for both business and individual taxes and eliminates the March to Zero trigger on lowering future income taxes. The bill is estimated to raise \$590 million in FY' 18 and \$454 in FY' 19.

The House Appropriations committee is also scheduled to work **HB 2052**, their FY17 rescission bill, and **HB 2161**, their PMIB proposal, on Monday. If House leaders feel as much urgency as the Senate, we could to see floor debate on both proposals later next week.



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### Medicaid Expansion

**HB 2064**, which would expand Medicaid under the Affordable Care Act, received three days of hearings this week in the House Health and Human Services committee. Neutral conferees testified on Monday, proponents on Wednesday, and opponents on Thursday. Called the KanCare Bridge to a Healthy Kansas Program, the bill extends eligibility to approximately 300,000 Kansans at or below 138% of the federal poverty level, or \$16,000 annually for an individual.

A Statehouse rally of over 200 supporters preceded Wednesday's hearing, and over 100 pieces of proponent testimony were submitted to the committee. Chairman Dan Hawkins (R-Wichita) intends to work and vote on the bill next week.

### Pay Stubs

The House Commerce Committee held a hearing on **HB 2183**. This bill mandates all Kansas employers provide a paper pay stub upon demand if an employee makes the request. KS SHRM's Dina Cox testified against the bill articulating payroll trends have moved away from providing paper stubs for efficiency reasons and that many employers provide kiosks and other methods for employees to download and print their electronic statements, if desired. Proponents of the bill argued freedom of information should require employers provide a paper statement upon demand if desired.

Chairman Mason has encouraged KS SHRM to continue discussions with proponents to see if a compromise may be found, but has not indicated he will work the bill.

### Ban the Box

The House Judiciary held a hearing on **HB 2115**, which proposes to Ban the Box for state agencies and remove on job applications inquiries regarding criminal background. Leslie Cunningham testified neutral on behalf of KS SHRM and provided the committee with background on the issue and discussed the pros and cons of the issue. The chairman closed the hearing and did not indicate if the bill would be worked this session.

### Expanded Gaming

**HB 2173** received two days of hearings in the House Federal and State Affairs committee on Monday and Tuesday before narrowly passing out by a vote of 11-10 yesterday morning. Now awaiting consideration by the full House, the bill would allow electronic gaming machines at horse and dog tracks in Kansas at reduced rates.

In 2007, the Kansas Expanded Lottery Act created four "gaming zones" and authorized the Kansas Lottery to manage one gaming facility in each zone. Several casinos paid privilege fees to be the sole gaming facility in their region. Opponents argue that the bill would be in violation of current law, and the state would be obligated to repay those privilege fees, with interest, back to the casinos.

### Looking Ahead

As Turnaround nears and everyone waits and sees what unfolds with the budget and tax plans, it looks like STAR Bonds (Sales Tax as Revenue) will also grab a spotlight next week. The Senate Commerce committee is scheduled to receive informational hearings, and the House Appropriations committee will hear a bill on Friday that would extend the sunset of the STAR Bond program expiring this year. In addition, both the House



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and Senate will hold hearings on the Governor's tobacco and alcohol increases as well as business filing increases. With turnaround just two weeks away, it is expected to be very busy at the Statehouse.