



Kansas State Council of SHRM, Inc.  
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## February 17, 2017 Legislative Update

The Kansas Legislature took a giant leap this week toward solving the state's budget deficit, passing a tax plan expected to raise \$1 billion in new revenue through Fiscal Year 2019. The House of Representatives also passed their rescission budget for Fiscal Year 2017, eliminating the \$325 million expected shortfall.

### Tax Plan

A comprehensive tax plan is making its way to the Governor today. **House Bill 2178** passed the House by a vote of 76-48 yesterday and the Senate by a vote of 22-18 this morning. Here's what the measure does:

- Fully repeals the LLC loophole
- Eliminates the March to Zero trigger on lowering future business income taxes
- Increases the rate from 4.6% to 5.25% on income over \$30,000
- Adds a third, top bracket of 5.45% on joint income over \$100,000
- Restores itemized deductions for medical expenses
- Begins retroactively on January 1, 2017
- Raises \$590 million in FY18 and \$453 million in FY19

By a procedural motion bypassing the Senate Tax Committee, HB 2178 came before the full Senate for debate first thing this morning. Defending his signature small business tax cuts from 2012, Governor Brownback has stated that he will not sign the bill should it make it to his desk but has not specifically noted whether he will veto the bill. Both final action votes were shy of the majorities needed to override his potential veto.

### Rescission Bills

The House Appropriations committee worked and passed their rescission and internal borrowing bills on Monday that fill the \$325 million shortfall expected for fiscal year ending June 30, 2017. **House Bill 2161** authorizes the liquidation of \$317 million from the state's long-term investment fund. After the Senate's failed attempt to borrow only \$100 million from the Pooled Money Investment Board (PMIB) and cutting K-12 and higher education to make up the difference, the House's bill makes those cuts unnecessary. Chairman Troy Waymaster (R-Bunker Hill) introduced a successful amendment, which pays the money back to the investment fund over six years beginning in FY19 rather than over seven years beginning in FY18 as the Governor proposed. As budget and revenue projections are analyzed, it appears that breathing room will still be needed during the next fiscal year.

**Substitute for House Bill 2052** is the Governor's FY17 rescission bill that leaves a proposed ending balance of \$99 million in the State General Fund on June 30. Before passing the measure on



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Monday, the Appropriations committee made two important changes. Representative Steven Johnson (R-Assaria) proposed a conceptual amendment to pay 50% of whatever ending balance remains at the end of the year back to the Kansas Public Employees Retirement System (KPERs). The Governor's proposal was to eliminate the fourth quarter FY16 repayment of \$85.9 million. The committee also amended the bill to transfer 10% of the ending balance – after the full KPERs repayment is made – to the newly created Budget Stabilization (Rainy Day) Fund.

Both HB 2161 and Sub HB 2052 passed the full House yesterday by voice votes and are up on Final Action today.

### HMO Privilege Fee Increase

A bill that would increase privilege fees paid by Health Maintenance Organizations from 3.31% to 5.77% of their annual premium revenue passed the Senate Ways and Means committee on Wednesday. **Senate Bill 94** eliminates the scheduled reduction of the privilege fee to 2% on January 1, 2018 and raises it retroactively on January 1, 2017. It was amended to sunset the increase on December 31, 2020.

Currently paid to the State General Fund (SGF), the fees would be deposited in the Medical Assistance Fee Fund and used to restore the 4% reduction in Medicaid provider rates approved during the 2016 legislative session. SB 94 is estimated to increase privilege fee revenue by \$103.9 million starting in FY18 and \$144.5 million in FY19.

The Kansas Insurance Department opposed the bill, specifically the retroactivity provision that would not allow health insurance companies the ability to recoup the loss in calendar year 2018.

SB 94 heads to the full Senate for consideration. A mirror bill, House Bill 2180, was heard in the House Appropriations committee on Wednesday.

### Immigration Hearings

Two immigration proposals, introduced on behalf of Secretary of State Kris Kobach – were heard before a packed room in the Senate Federal and State Affairs committee on Wednesday. **Senate Bill 157** would require the Kansas Highway Patrol to become certified as immigration officers and enforce federal immigration laws, including detentions and removals. **Senate Bill 158** would remove state funds to any city or county that adopts sanctuary policies. Despite strong opponent testimony, Chairman Jacob LaTurner (R-Pittsburg) has indicated he's likely to work both bills.

### KU Hospital Conceal Carry Exemption

**House Bill 2150** froze in the House Federal and State Affairs committee on Wednesday after Chairman John Barker (R-Abilene) opted out of breaking the 11-11 tie vote. The bill would have allowed the University of Kansas Medical Center to continue to prohibit firearms in its buildings



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without adequate security (metal detectors and guards) after their exemption expires on July 1, 2017.

It was a lengthy debate about broader gun rights, with proponents arguing that jobs are being lost to neighboring hospitals in Missouri for fear of allowing weapons in an already-stressful environment. HB 2150 remains in committee and is expected to be reconsidered.

### STAR Bonds

This week both Senate and House Committees discussed the state's leading community economic development program STAR Bonds and its renewal. The Senate Commerce Committee held 3 days of informational hearings from communities who are currently using the program—Wichita, Dodge City, Kansas City, KS and Manhattan. The House Appropriations held a hearing bill **HB 2184**, which would allow expansion of a historic building as a qualified project as well as renew the program to 2022. The program is set to sunset June 30, 2017 and some lawmakers are calling for more oversight and control of the program while others would like to lower the state's investment in the program. While no bill has been introduced yet in the Senate we do expect one will be introduced after turnaround.

### Kancare Expansion

The House Health Committee has been expected to work **HB 2064** several days this week, but has yet to work it. The committee was scheduled to meet today at 1:30 pm, but did not work the bill due to committee members being gone. The committee appears to be evenly split on passing the bill and many have been waiting for an updated fiscal note on the bill. The fiscal note was available today. [Click here](#) to review it. We expect Chairman Hawkins to ask for the bill to be blessed so that it might be worked after turnaround.

### Looking Ahead

With the official halfway point in the session next week, Monday is the last day for committees to meet and work legislation. All bills are considered dead that have not passed their House of Origin by Turnaround or are not "blessed" to an exempt committee. Each Chamber will be on the floor until adjournment on Thursday, after which the Legislature will enjoy a week-long break until March 6. With taxes and FY17 budget potentially resolved, expect to see school finance take center stage during the second half of the legislative session.