



Kansas State Council of SHRM, Inc.
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Weekly Legislative Report, May 30 – June 2, 2017

Legislature Approves Gun Law Exemption for Hospitals

The Legislature gave final approval to **Senate Substitute for House Bill 2278** yesterday, which would allow state hospitals, community mental health centers, and the University of Kansas Medical Center to continue to ban guns at their facilities.

The bill grants a permanent exemption from a 2013 law allowing conceal carry in public hospitals beginning July 1, unless adequate security measures are in place. It was estimated to cost the state nearly \$40 million to install metal detectors and provide armed security guards at every entrance if this bill didn't pass.

The Senate debated and passed the measure by a vote of 24-16 but not before rejecting several amendments, including one supported by the National Rifle Association allowing guns in parking lots and lobbies and providing gun lockers for other secure areas. Proponents to the bill argued that safety for mental health employees is paramount, as well as ensuring Kansas' only academic hospital can remain competitive in staff and physician recruitment across the Missouri border. The House overwhelmingly concurred on the bill 91-33.

S. Sub. for HB 2278 was originally scheduled for Senate debate on Tuesday but was pulled off the calendar in hopes that the interested parties were nearing a compromise deal. When negotiations stalled and it appeared no agreement could be made, the bill was finally brought to the floor.

The bill is headed to the Governor's desk for his consideration. Governor Brownback has been involved in negotiations with the NRA and KU Hospital this week but has not given firm indication whether he will sign, veto or allow the bill to become law without his signature.

House Kills Latest Tax Deal

House and Senate negotiators took another stab at a tax deal early this week but found themselves back at the drawing board when the House overwhelmingly rejected the three-tier proposal 37-85 late Tuesday night. The Senate approved the bill 26-14 just hours before. The failed vote continues to heighten tensions between lawmakers struggling to find agreement behind a tax plan this session.

House Bill 2067 would have increased personal income tax rates to 3.1% on joint income under \$30,000 (currently 2.7%), 5.25% on income under \$60,000 (currently 4.6%), and added a top bracket of 5.7%. The increases would be phased in retroactively for tax year 2017. The bill included many of the same provisions from last week's failed Senate Bill 30, including the low-income exclusion, repeal of the 2012 small business tax cuts and STAR Bond program extension.

The tax conference met last night to discuss some smaller tax bills, but no action was taken on a larger revenue package.

There is talk that a three-cent per gallon increase in the motor fuels tax could be included in the next proposal, which would add \$50 million annually to the State Highway Fund to help restore the \$300 million lost in sales tax revenue swept to the State General Fund each year. The Kansas Department of Transportation estimates \$380 million needed annually for T-WORKS preservation projects.

Also, the Kansas Department of Revenue reported yesterday that May tax receipts were down \$1.9 million from estimates, adjusting slightly the anticipated budget shortfall to \$889 million through fiscal year 2019.

This morning new tax plans were introduced in House Taxation. Most notable were a full repeal of the 2012 tax cuts, a 3 tier income tax plan supplemented with fuel, alcohol and tobacco tax as well as what is being called the Pittman Progressive Tax plan which proposes a two-tier income tax which assesses the first bracket up to \$30,000 and then taxes each \$645 increment of income an additional amount that caps at a top rate of 6% and fuel tax. While the Chairman appeared to favor the Pittman plan, no hearings on any of the measures have been set.

Hearings Held on GOP Budget Proposal



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The House Appropriations Committee held two days of hearings this week on the Republican Balanced Budget Solution that calls for no new taxes and no new *unnecessary* spending in FY 2018. Key to the plan is securitizing a portion of the state's future tobacco settlement dollars for the purpose of paying off the state's obligations to KPERS. The proposal leaves an ending balance of \$54 million on June 30, 2018.

Strong opposition to the plan came from lawmakers and organizations concerned with selling investments that are currently safeguarded for children's programs. Senator Ty Masterson (R-Andover), champion and spokesperson of the plan, testified that the Children's Initiative Fund (CIF) would be held harmless by earmarking the first \$35 million in tobacco tax revenue for the CIF.

Proponents testifying in favor of the bill included the Kansas Chamber of Commerce and Kansas Policy Institute, who consistently oppose raising taxes over reducing spending. No action was taken on the proposal.

K-12 Funding Goes to Conference

After nearly seven hours of floor debate on Tuesday, the Senate approved their K-12 funding bill by a vote of 23-16. With both chambers passing their own school finance formula, a conference committee was appointed and began meeting yesterday to negotiate differences between the two measures. They are meeting again today, and a conference committee report on **Senate Substitute for House Bill 2186** is anticipated to move quickly.

The key difference between the House and Senate positions is funding levels. The House's bill appropriates \$280 million in new funding for schools over the next two years, increasing the Base State Aid Per Pupil from \$3,859 to \$4,006 in FY 2018 and \$4,128 in FY 2019. After that, funding will be adjusted according to inflation, estimated around 1.5% a year or \$55 million. The Senate's plan spends an additional \$165 million on schools in FY 2018 and \$70 million in FY 2019. After that, funding would increase by a rolling three-year inflation average.

The House proposed the first offer during the conference committee last night, which includes their \$280 million in additional money over two years, but the Senate's position in using a three-year rolling average of the Consumer Price Index for increases beyond 2019.

Opponents still hold that the dollar amounts in both bills remain inadequate and won't meet the court's demands, speculating a special session will be needed. The Kansas Supreme Court's latest ruling gave the Legislature until June 30 to pass a new constitutionally-sound school finance formula to replace the expiring two-year block grant.

MCO Privilege Fee Agreement Finalized

The House Appropriations and Senate Ways and Means Conference Committee met on Tuesday and agreed on a conference committee report (CCR) for **House Bill 2079**. The bill would restore last year's 4% cut to Medicaid provider reimbursement rates by increasing the HMO privilege fee to 5.77%, effective July 1, 2017 (currently 3.31% and scheduled to drop to 2% on January 1, 2018). The rate increase will sunset on December 31, 2020 and then drop to 3.31%.

The original bill dedicated any extra dollars raised from the increase – after Medicaid providers are made whole – toward mental health investment, which was estimated to be \$3.5 million in FY 2018 and \$15 million/year thereafter. The conference committee agreed to limit money going to community mental health centers to just \$5 million/year beginning in FY 2019. The CCR still needs to be adopted by both Chambers before heading to the Governor's desk for signature.

Lottery Vending Machine Bill Back to Conference

The House did not concur on **House Bill 2313** on Wednesday and voted to send the measure back to the Federal and State Affairs conference committee for more work.

The bill amends the Kansas Lottery Act, allowing the use of lottery ticket and instant bingo vending machines in retail stores across Kansas. Revenue from lottery vending machine sales is to be transferred to community crisis stabilization centers within KDADS. The transfer is capped at \$4 million in FY18 and \$8 million/year through FY22. It also establishes the Debt Set-off Program, requiring gaming and racetrack facility managers to check and withhold any outstanding child support payments from winning prizes.



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The conference committee met yesterday and discussed changes to definitions and sales revenue generated from instant bingo machines, as well as adding a 20-year sunset on the Kansas Lottery. A follow-up meeting is scheduled for this afternoon.

Looking Ahead

It was two steps forward one step back this week, with another failed tax plan slowing down any chance of adjourning by the weekend. Both chambers are working today and will work through the weekend as well. A successful, veto-proof tax plan continues to be the key to passing a state budget and adjourning the 2017 legislative session. Today marks day 105. The longest session in Kansas' history was 114 days in 2015. Rumors today indicate leadership thinks if they work through the weekend, they can wrap up mid-week and avoid beating the 2015 record.