



Kansas State Council of SHRM, Inc.
825 S. Kansas, Suite 502 • Topeka, KS 66612
(888) 332-6248 • office@ksshrm.com



January 25, 2019 Legislative Update

With the Martin Luther King Jr. holiday on Monday and delayed start on Wednesday due to winter weather, it was a short and less eventful week in the Kansas Legislature. However, lawmakers are settling into their committees, bills are being introduced, and the chatter in the halls is growing. Drinking from a firehose, committees spent most of the week holding informational hearings surrounding the topics that are expected to headline the 2019 Session. From taxes to Medicaid expansion to K-12 funding, this week did see some movement worthy of report.

New Committee to Tackle Federal Tax Decoupling

Senate President Susan Wagle (R-Wichita) named a new committee this week to work through the trickle-down effect of the federal Tax Cuts and Jobs Act passed in late 2017. Wagle will chair the Senate Select Committee on Federal Tax Code Implementation and has scheduled three days of hearings on a bill that gives the expected state “windfall” back to the taxpayers. She hopes to have the bill worked and passed out of committee by next Thursday.

[Senate Bill 22](#) would decouple from a number of both corporate and individual provisions set forth in the new federal tax code. A few of the most controversial include: preventing the state from taxing foreign income made by Kansas’ multi-national companies, which has never been taxed in Kansas before; allowing Kansans the option to itemize on their state tax forms – even if they claim the standard deduction on the federal level – reducing their tax liability; and restoring 100% deductions for medical expenses, property taxes, charitable contributions, and mortgage interest deductions.

Representatives from the Tax Foundation, a Washington D.C. think tank, were in Topeka on Tuesday testifying in front of both the House and Senate Tax Committees, explaining that states across the country are all scratching their heads on what exactly will be the unintended consequences of the federal tax reform on state budgets and whether or not to decouple from its provisions. Kansas lawmakers are hesitant to pass any significant tax legislation before receiving a firm fiscal note from the Kansas Department of Revenue. Initial estimates, however, are anywhere from \$70 million to \$130 million of unexpected tax revenue to the state as a result of the federal law changes.

Education Funding Bill Introduced

Governor Laura Kelly’s K-12 school finance bills were introduced in the House Appropriations and Senate Ways and Means Committees on Thursday and referred to the House K-12 Education Budget and Senate Education Finance Committees, respectively. [House Bill 2078](#) and [Senate Bill 44](#) spend \$93 million more on K-12 education this fiscal year. This would raise the Base State Aid Per Pupil from \$4,302 to \$4,436 for the upcoming school year and increase annually through 2023.

The Governor has made it a priority to respond to the Kansas Supreme Court’s ruling last June that called for more than the \$525 million appropriated during the 2018 legislative session, based on inflation. Expect to see pushback from lawmakers and groups opposing additional spending on schools and another effort to move forward on a constitutional amendment restricting the Court’s power over state appropriations.

Governor Kelly also signed an executive order on Thursday forming the Governor’s Council on Education to advise her on issues ranging from early childhood to K-12 to higher education. The 45-member panel includes business interests that will help frame the discussion around workforce challenges and how to best prepare Kansas students to meet future employers’ needs.



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Medicaid Expansion Discussions Underway

The House and Senate Health Committees held several informational briefings this week regarding KanCare, the state's Medicaid system. The Kansas Health Institute gave Legislators a "Medicaid 101" and reviewed the statistics of health insurance coverage – or lack thereof – of Kansans to date. Governor Kelly also named an 11-member Medicaid Expansion Working Group on Wednesday to help develop and advance her initiative. It's been heard that she wants an expansion bill to the Legislature by next week.

Association Health Plan Bills Swarm the Statehouse

Under new rules approved by President Trump, Association Health Plans (AHP) are now allowed under the Affordable Care Act. However, most states have historically prohibited such plans, and newer laws dealing with Small Group Health Plans limit such programs. That is the case in Kansas.

The Kansas Farm Bureau has introduced legislation that would add that group to current law that lists the exempted association from insurance regulations. Their bill is [Senate Bill 32](#) and has a scheduled hearing next Tuesday at 9:30 a.m. in the Senate Financial Institutions and Insurance Committee.

Other AHP bills introduced this week:

- [House Bill 2056](#) and [Senate Bill 34](#) – Exempting AHPs from Small Employer laws. HB 2056 is scheduled for hearing on Wednesday at 3:30 p.m.
- [House Bill 2053](#) and [Senate Bill 35](#) – Short term, limited duration health plans.
- [House Bill 2055](#) and [Senate Bill 36](#) – AHPs subject to certain Kansas Insurance Department (KID) jurisdiction. HB 2055 is scheduled for hearing on Monday at 3:30 p.m., and SB 36 will be heard on Wednesday at 9:30 a.m.
- [House Bill 2057](#) and [Senate Bill 33](#) – Small Employer laws. HB 2057 is scheduled for hearing on Wednesday at 3:30 p.m., and SB 33 has a hearing on Thursday at 9:30 a.m.
- [House Bill 2054](#) and [Senate Bill 29](#) – Requirements of fully-insured AHPs. HB 2054 is scheduled for hearing on Monday at 3:30 p.m., and SB 29 has a hearing on Wednesday at 9:30 a.m.
- [House Bill 2058](#) and [Senate Bill 30](#) – Small Employer Health Plan. HB 2058 is scheduled for hearing on Wednesday at 3:30 p.m.

Coalition Calls for Lower Utility Rates

The Kansas Industrial Consumers Group on Thursday called on utility companies to immediately lower electrical rates on Kansans by 10 percent and five percent each year until rates are comparable to surrounding states. The coalition is also asking the Legislature to conduct a comprehensive study of electrical rates, why they are higher than neighboring states, and to outline possible solutions moving forward.

The Kansas Corporation Commission (KCC) conducted their own study last year and released their results to the House Utilities Committee on Tuesday. The Senate Utilities Committee heard the KCC's report last week. They found that



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increases in rates have resulted from capital investment, including compliance with federal environmental regulations, more coal-powered plants to meet consumer demand, and construction of wind-powered facilities.

AG Gives Overview on Work Comp Litigation

The Attorney General's office held an informational hearing in the House Commerce Committee on Tuesday regarding the Kansas Court of Appeal's ruling in the *Johnson vs State* case last summer. The AG's office intervened in the case on behalf of the Legislature and recommends lawmakers set in separate statute which edition of the AMA Guidelines Kansas intends to use. [House Bill 2013](#) proposes moving back to the 4th Edition. No hearing date on the bill has been set.

Agricultural Issues This Week

Water Plan Funding Continues at Current Rate

The House Agriculture and Natural Resources Committee on Wednesday heard from the Legislative Research Department and the Department of Commerce on the Economic Development Initiatives Fund (EDIF), which spends \$500,000 each year on the State Water Plan Fund (SWPF) within the Kansas Water Office (KWO). The Governor's budget for fiscal years 2019 and 2020 continue this appropriation out of the EDIF.

As a reminder, last year the Legislature approved a total of \$3.25 million toward the SWPF, with the remainder coming from the State General Fund. Current statute requires \$6 million be spent on the SWPF, which has been swept in recent years.

The House Ag Budget Committee also received a briefing on the SWPF by the KWO on Thursday. They reported their budget priorities for this year to include: water technology farms, blue-green algae issues, and stream-bank stabilization to address sedimentation.

Farm Bill Report to Budget Committees, Industrial Hemp

The Senate Ways and Means Committees held an informational briefing on Thursday to learn about the local impacts of the 2018 Federal Farm Bill passed in December. Newly-appointed Interim Secretary of Agriculture Mike Beam, along with the Interim Dean of the Kansas State University College of Agriculture testified before the committee on a number of provisions to affect Kansas. In particular, the Farm Bill removes restrictions that would expand state legislation passed last year allowing KSU's industrial hemp research pilot program and makes it eligible for certain federal funding.

Next week we expect a full week of both informational hearings and hearing on bills.