



Kansas State Council of SHRM, Inc.
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February 15, 2019 Legislative Update

With the official halfway point in the session nearing, today is the last day for bills to be introduced in non-exempt committees. All bills that have not passed their House of Origin by Turnaround on February 28 – or are not “blessed” to an exempt committee – are considered dead for the year. Over 190 bills were introduced this week in a mad rush to make today’s deadline.

Governor’s Major Budget Provision Fails

The House debated and swiftly voted down yesterday Governor Laura Kelly’s key provision of her two-year budget proposal. [House Bill 2197](#) would have reamortized the Kansas Public Employee Retirement System (KPERS) for 30 years, reducing the state’s contribution and freeing up \$143 million next fiscal year. Refinancing nearly \$7 billion in KPERS debt through 2050 was an unpopular idea with Legislators from the start. The vote was 87-36.

Transportation Funding Ideas on the Table

Governor Kelly announced on Wednesday that she plans to invest \$160 million into her fiscal year 2020 budget toward transportation by reducing the amount transferred out of the State Highway Fund. Since 2011, roughly \$2 billion has been transferred to the State General Fund, causing 21 delayed projects in the T-WORKS plan that expires next year.

Also this week, a number of bills were introduced in the Senate Ways and Means and House Tax Committees as a result of the Transportation Vision Task Force’s meetings last year. In an attempt to establish a consistent funding source for the next 10-year state transportation plan, lawmakers will consider increases on toll roads, electric vehicle registration fees, oversized/overweight vehicle permit fees, and the motor fuel tax.

Budget Update

The budget committees are continuing to discuss the budgets of various state agencies as the Legislature nears its halfway point on the calendar.

The House Appropriations Committee started the week by having a hearing on SB 9, the Senate’s work to fund KPERS this year with a \$155 million payment. This is the bill Republican Leadership has been pushing to counter the Governor’s Plan to pay for KPERS. The committee will vote on the bill next week, it is expected to pass.

During the discussion on the Dept of Commerce budget the committee took action on some economic development programs. The committee added funding for innovative growth programs and the Main Street program. The Chair of the committee has been emphasizing the need for stronger economic development programs generally and for rural Kansas in particular and has been a vocal supporter of the Main Street program. Funding was also continued for the Kansas Arts Commission after an effort by some committee members to drop that funding. Supporters of the arts funding stressed its relationship with and benefit to tourism across the state.



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House Appropriations also boosted funding to the KBI to enhance its ability to go after cyber-crime. Funding will go to add agents, more training and IT equipment to combat this growing area of crime.

Senate Ways and Means has also increased its work on agency budgets. This week they dived into the state hospitals budgets, with Larned State Hospital and Osawatomie State Hospital taking up much of the conversation. Staffing continues to be an issue at all the state hospitals, but it's a more acute problem at the two largest hospitals. This all feeds into the issue of mental health services across the state and the number of available beds for patients. This issue will continue to be a priority for lawmakers but will be hard to solve because of the complexity of issue.

Senate budget members also discussed the ability to respond to wild fires, hearing from the Kansas Forest Service about the need for coordination among the three state agencies and many more local entities that respond to these natural disasters. The ability to communicate between agencies is the most important issue here.

Both committees had a number of bills introduced this week which were the result of the transportation task force that met across the state last year. Right now at least ten bills have been introduced, covering a variety of transportation issues. More such bill introductions could happen soon.

Multistate Tax Compact Bill Passes Committee

The House Tax Committee heard on Tuesday and passed on Wednesday [House Bill 2212](#), which clarifies apportionment of corporate income under the multistate tax compact. The bill is prospective beginning in tax year 2019 and will prohibit taxpayers from using the compact election provisions to supersede statutes within the Kansas Income Tax Act.

HB 2212 is in response to the *Gillette vs. California Franchise Board* lawsuit where the company attempted to use the election provision of the compact to amend its tax return using the three-factor apportionment election. The Kansas Department of Revenue introduced this bill to prevent similar lawsuits in Kansas, where a corporation could elect to apportion their corporate income based on the sales factor, rather than under the three-factor apportionment test set out in Kansas law. There were no opponents to the bill that now heads to the full House for consideration.

Taxpayer Protection Act Advances

The Senate Tax Committee held a hearing on [Senate Bill 104](#) on Tuesday, creating the Kansas Taxpayer Protection Act. The bill would require a paid tax return preparer to sign and include their federal Internal Revenue Service Preparer Identification Number on each return beginning in tax year 2020. Any preparer that fails to sign the return or provide their tax ID number would be liable for a \$50 civil penalty to the Kansas Department of Revenue (KDOR), not to exceed \$25,000 per year.

H&R Block testified in favor of the bill, arguing that the state should address tax return theft and allow the KDOR to charge fraudulent preparers. There were no opponents to the bill during the hearing.



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Aviation Tax Credit Approved

The House Commerce Committee voted to pass [House Bill 2118](#) yesterday, which would allow a 5 percent income tax credit for aerospace and aviation program graduates and their employees beginning in tax year 2020. The tax credit could be claimed for up to four years if the employee remains employed with the qualified employer. There were no opponents to the bill during the hearing on Wednesday. HB 2118 heads to the full House for consideration.

Economic Development Transparency

[House Bill 2006](#), which proposes the creation of database to track all economic development incentives over \$50,000, was to be worked by the House Commerce Committee on Thursday, but the Chairman put off working it until next week because he continues to work on amendments with interested parties. Based on conversations it appears the Chairman is looking to adopt a transparency portal model based off the state of Indiana. While advocates are generally supportive of the Indiana model they too are waiting to review the amendments. The Senate Commerce Committee this week also introduced [SB 176](#), a similar bill to HB 2006, but no action has been on this bill yet.

Committee Considers Corporate Practice of Medicine

The House Health Committee considered [House Bill 2146](#) on Tuesday, which would allow certain business entities to engage in the corporate practice of medicine and Specifically under the bill, business entities could apply for a certificate of authorization from the Kansas Board of Healing Arts to practice medicine and hire on-site physicians to provide care for their employees.

Committee members discussed a number of issues during the hearing, from patient safeguards, to quality of care to rural access to doctors. Blue Cross Blue Shield of Kansas and Cerner testified in support during the hearing. Opponents included the Kansas Medical Society and the Kansas Optometric Association.

Pre-existing Condition Mandate Hearing Held

The House Insurance Committee heard [House Bill 2074](#) on Monday, which would institute a mandatory pre-existing protection in individual health plans. The bill requires insurers who offer individual policies providing hospital, medical or surgical expense benefits to accept every individual who applies for coverage. The bill would also allow insurers to impose a preexisting condition exclusion of 90 days following the date of enrollment for conditions for which medical advice, diagnosis, care or treatment was recommended or received in the 90 days prior to the effective date of enrollment.

There was only one proponent during the hearing and strong opposition from insurance carriers. The bill is not expected to be worked prior to Turnaround.



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Sports Wagering Hearings Next Week

The House Subcommittee on Sports Wagering will be meeting next Monday and is expected to assemble their recommendations for the full House Federal and State Affairs Committee. Several bills were introduced and considered earlier in the session before lawmakers appointed this special panel to study the topic further with interested stakeholders. The Senate Federal and State Affairs Committee has also scheduled two days of informational hearings on sports wagering next Wednesday and Thursday.

Bill Defines Real Estate Rebate

The Senate Commerce Committee heard [Senate Bill 42](#) on Tuesday, which would amend the Kansas Real Estate Brokers' and Salespersons' License Act to provide a definition of a rebate. As a result of an opinion provided by the Attorney General last year, the bill clarifies that a rebate must be provided before the transaction closing.

Specifically, the bill defines "rebate" as the return of all or part of any purchase price of real estate, whether by cash or cash equivalent, that is promised or agreed to by a licensee and a client or customer before closing and is contingent on the transaction closing. A cash equivalent rebate would include gift cards, prepaid credit cards, and any other item with a value equal to a specific amount of money that can be used in the same manner as cash. There were no opponents to the bill during the hearing.

Rural Revitalization Committee Discusses Healthcare, Hears First Bill

This week, the Rural Revitalization Committee spent three days receiving informational hearings regarding on the lack of healthcare in rural communities. Because healthcare accounts for 20 percent of a rural economy, lawmakers are desperate to address healthcare access across the state. Conferees included the Kansas Hospital Association, Kansas Dental Association, Community Care Network of Kansas, and a number of rural area development groups. All proponents of expanding Medicaid services in Kansas, it was reported that 46 percent of rural hospitals nationwide are currently operating with a negative profit margin.

The committee also held their first official bill hearing yesterday, [House Bill 2131](#), which would reinstate the Enterprise Zone sales tax exemption that expired in 2011. The program provides a sales tax exemption for construction and certain purchases in a business expansion project. The manufacturing business must create at least two jobs, nonmanufacturing businesses would be required to create at least five jobs, and retail businesses would be required to create at least two jobs, all located in a city with a population of 2,500 or less or in a county with a population of 10,000 or less. The bill is expected to be worked next Monday.



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Utility Study Hearings Next Week

[Senate Bill 69](#) would require the Legislative Coordinating Council (LCC) to authorize a study of retail rates of Kansas electric public utilities and require the Kansas Corporation Commission (KCC) to evaluate competitiveness of any proposed electric rate with surrounding states. The cost of the study would be the responsibility of the KCC, and a report due to the Legislature by December 31, 2019. The Senate Utilities Committee will hold two days of hearings next week, opponents testifying on Tuesday and proponents on Wednesday.

[Senate Bill 181](#) was introduced yesterday by the Kansas Electric Cooperatives and creates the Kansas Energy Policy Task Force to study electric utility services and energy policy issues in Kansas. SB 181 will be heard in the Senate Utilities Committee on Thursday.

All bills need to be out of their committee by next Monday, February 25th. Then each chamber will debate bills that have passed out of their committee through Friday, March 1st, which marks the half-way point of the session commonly known as Turnaround. As such we expect the next two weeks to be very busy.