



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



## **February 22, 2019 Legislative Update**

With the official halfway point in the session on the 28<sup>th</sup>, Monday is the last day for committees to meet and work non-exempt bills. Each Chamber will be on the floor debating legislation until adjournment on Thursday, after which the Legislature will enjoy a five-day break until March 6. With school funding, Medicaid expansion, and several key tax issues still unresolved, the second half of the session should be action-packed.

### **Legislature Considers Reducing Food Sales Tax**

The House Tax Committee heard [House Bill 2261](#) on Monday, which would reduce the sales tax on food and food ingredients from 6.5 percent to 5.5 percent beginning on July 1, 2019. The Kansas Department of Revenue estimates that 15 percent of all current sales tax collections in the state come from food and food ingredients. This reduction in tax revenue would be a hit to the state budget of nearly \$60 million in FY 2020. Food would not include alcoholic beverages, candy, dietary supplements, food sold through vending machines, soft drinks, tobacco, or certain prepared food.

The Senate Tax Committee heard a similar bill, [Senate Bill 76](#) on Thursday, which would also reduce the sales tax on food and food ingredients but on a sliding scale to 5.5 percent beginning July 1, 2019, 4.5 percent in 2020, and 3.5 percent in 2021 and thereafter. A much larger fiscal note – an estimated reduction in tax receipts of roughly \$127 million in FY 2021, \$196 million in FY 2022, and \$205 million in FY 2023—is attached to the bill.

Most Legislators support the idea of cutting the food sales tax, which has been a hot topic at the Statehouse in recent years. Governor Laura Kelly – while campaigning on the issue – did not include the reduction in her proposed two-year budget. There was no action on either bill this week.

### **State Looks for Online Sales Tax Consistency**

The House Tax Committee held a hearing on [House Bill 2352](#) on Thursday, which would create the Kansas Main Street Parity Act by requiring online marketplace facilitators – such as Amazon and e-Bay – and out-of-state retailers to start collecting and remitting tax on sales made in Kansas beginning on July 1, 2019. The bill sets a minimum threshold of \$100,000 in gross sales and includes digital goods as well. The Kansas Department of Revenue estimates that HB 2352 would increase state revenue by \$41 million in FY 2020.

A proposal was made during the hearing by a conferee to use the increase realized each year to buy down the state sales tax rate accordingly. The committee took no action on the bill.

### **“Windfall” Bill Leaves Confusion in the House**

After the Senate passed [Senate Bill 22](#) earlier this month, the House Tax Committee held three days of hearings this week to try and fully understand the complexities of the so-called “windfall” tax bill. Tax experts from Ernst & Young and the Kansas Society of CPAs tried to explain how the changes made in the 2017 Federal Tax Cuts and Jobs Act will affect



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Kansas and what actions are needed to ensure there are no intended consequences on individual taxpayers, multi-national corporations, or the fragile state budget.

SB 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. No action has yet been taken on the bill in the House committee.

### **Budget Committee Work**

Budget committees are currently spending the bulk of their time on budget issues and the funding of state agencies. Their budget subcommittees have been and continue to meet to get into more detail on agency budgets. The subcommittees will finish their work sooner than later, then you will have a broader discussion of the budget(s) as the Legislature moves thru the process. Most of the budget subcommittees that have work left cover budgets for social services agencies.

The state hospitals were still being discussed this week. The topics of staffing levels, security, and being able to get additional federal funding are ongoing topics.

The Senate Ways and Means Committee (SWAM) also discussed the need for psychiatric beds at Osawatomie State Hospital, along with mental health services available across the state. Senators noted the issue of the condition of the buildings at OSH, and when and if to invest more resources in buildings there that might not have a long life.

Later, Senators moved on to the Dept. Of Corrections issue of pay for prison staff. Another Corrections issue is treating inmates with Hepatitis C, current cost projections for treating all inmates with Hep C is \$9 million.

SWAM also started discussions on Rural Opportunity Zones, and the liability of Counties when a county owned hospital closes. It was decided to move these discussions to later in the session.

The House Appropriations Committee worked on its version of funding for higher education, the state's universities and community and technical colleges. House members are going thru the process to restore funding that was cut a few years ago. They are also talking about some new funding, but discussion about the formula that would distribute that funding was becoming a bit contentious, so that will discussion will be done towards the end of the session.

The committees look at the State Fair continued this week, too. Legislators would like to see a comprehensive plan from the Fair about the future use and need of their buildings.



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While there will only be a couple of more meetings before the second half of the session starts, the budget committee chairs both noted that there is still much work to do.

### **ROZ Program Sunset Extension Considered**

The Senate Tax Committee heard [Senate Bill 125](#) on Tuesday, which would amend Kansas law concerning the Rural Opportunity Zones (ROZ) Program. The ROZ program offers individuals who relocate to a designated county the opportunity to participate in a Student Loan Forgiveness Program and receive a 100 percent state income tax credit through tax year 2021. SB 125 would extend the sunset for the student loan forgiveness program and income tax credit to tax year 2026. The committee has not yet acted on the bill.

### **Farm Bureau Health Benefit Passes Senate**

The full Senate spent nearly four hours debating [Senate Bill 32](#) on Wednesday before passing it by a vote of 28-11. The bill adds the Kansas Farm Bureau to the list of entities in current statute that can provide a health plan not subject to the jurisdiction of the Kansas Department of Insurance. It would allow the nonprofit agricultural organization to provide healthcare benefit coverage – not to be considered insurance – to its members with no pre-existing conditions. The bill now heads to the House Health and Human Services Committee.

### **Wireless Siting**

The Wireless Siting advanced to the full Senate this week. SB 68 was amended and pass the Senate Utilities Committee yesterday. The bill includes an amendment offered by the wireless providers, but not agreed to by all parties. The amendment repeals a city's current ability to require wireless franchise agreements and adds language prohibiting any type of wireless franchise agreements. The full bill will be considered by the Senate next week.

### **Political Signs**

HB 2135 passed out of House Local Government Committee this week and is a full repeal of the current political sign law. The bill passed without amendment, and we believe that the bill will run in the full House before the turnaround deadline next week.

### **Paid Sick Leave Bill**

At the request of AARP, [HB 2186](#) which would grant employees who earn sick leave the right to use it to care for family members, was heard by the House Commerce Committee Thursday. The bill would require employers who offer paid



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sick leave to allow such leave to be used to care for an extended list of family members. Proponents of the bill stated by mandating this use of sick leave it would alleviate a stress and fear of many Kansas employees. However, opponents offered testimony which stated if passed the bill would bring confusion to the administration of sick leave and may potentially result in the loss of benefits to many currently covered employees. No action was taken by the committee on the bill.

### **Utility Study Proposal Slows Down**

The Senate Utilities Committee heard from opponents to [Senate Bill 69](#) on Tuesday and proponents on Wednesday. The bill requires 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 is due to the Legislature by December 31, 2019.

A competing bill, [Senate Bill 181](#), was scheduled to have a hearing on Thursday but was pulled from the committee agenda earlier in the week. The bill, which was introduced by the Kansas Electric Cooperatives, creates the Kansas Energy Policy Task Force to look at energy policy issues across the state in a more holistic manner.

The committee chairman has reported concerns with SB 69 and doesn't plan to work the bill until after Turnaround, giving a chance for both sides of the debate to work out a compromise. There is growing worry that the bill not only calls for a rate study to the tune of \$1 million, but it's language could change the way utility rates are set by the KCC.

### **Gaming Discussions Continue**

The Senate Federal and State Affairs Committee held informational hearings on Wednesday and Thursday to continue discussions around implementation of sports wagering in Kansas. The House Commerce Committee also considered [House Bill 2280](#), which would amend the Kansas Lottery Act to clearly define how income from electronic gaming machines at the Woodlands Racetrack in Wyandotte County will be allocated. No action was taken on HB 2280.

### **Economic Development Transparency Passes Committee**

The House Commerce Committee passed [House Bill 2006](#) on Monday, a bill requiring the Kansas Department of Commerce to collect data and disclose on a public database information regarding state economic development initiative programs. Recipients of \$50,000 or more annually from programs such as the Sales Tax as Revenue (STAR) Bonds, High-Performance Incentive Program (HPIP), Promoting Employment Across Kansas (PEAK) program, Rural Opportunity Zones (ROZ), Angel Investor Tax Credit, and the Job Creation Fund, would be listed online. The bill now awaits consideration by the full House.



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### **Bill Aims to License Home Inspectors**

The Senate Commerce Committee held two days of hearings on Tuesday and Wednesday on [Senate Bill 168](#), which would establish a new state agency, the Kansas Home Inspectors Licensing Board, to license and regulate home inspectors. The proposal was introduced by the Kansas Association of Realtors in an effort to ensure professional competency and establish a viable home inspection industry in the Kansas. The bill includes a maximum license fee of \$200. The committee is expected to take action on the bill on Monday.

### **KDWPT Asks to Amend State Park Cabin Fees**

The Senate Agriculture Committee heard and passed on Wednesday [Senate Bill 49](#), which authorizes the Kansas Department of Wildlife, Parks and Tourism (KDWPT) to establish fees for cabins operated by the KDWPT and camping permits at state parks. It was reported by the department that the bill would increase both use of cabins and camp sites and revenue as it would provide flexibility to increase fees during busy times (holiday weekends and special events) and to decrease fees during low demand times. There were no opponents to the bill during the hearing, and it now awaits consideration by the full Senate.

### **House Approves Updates to Credit Union Statutes**

The full House approved [House Bill 2101](#) on Thursday, which updates and modernizes the state's credit union statutes and brings Kansas law up-to-date to continue to protect the locally operated, not-for-profit structure of credit unions. The bill now moves to the Senate Financial Institutions and Insurance Committee for consideration.

### **Industrial Hemp**

The House Agriculture Committee passed [House Bill 2173](#) on Wednesday, which establishes the procedures to be used by the Kansas Department of Agriculture (KDA), in consultation with the Governor and the Attorney General, in submitting a plan to the U.S. Department of Agriculture under which the KDA would monitor and regulate the commercial production of industrial hemp. The bill is expected to be debated by the full House next week.

### **Monday Committee Work, Several Health Bills**

#### **Corporate Practice of Medicine**

The Health and Human Services Committee is scheduled to take action on [House Bill 2146](#) on Monday, which would allow certain businesses to hire on-site physicians to provide care for their employees. It's a controversial battle between businesses and insurance companies versus physicians. The committee heard the bill last week.



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### STEP Therapy

After several cancelled hearings last week, the Senate Public Health and Welfare Committee will finally consider [Senate Bill 93](#) on Monday, which would establish restrictions on the use of step therapy protocols by health insurance plans. It would require a clear process to request a step therapy exception and outlines when a health insurance plan would grant an override to the protocol. The patient or prescriber could appeal the denial of a step therapy exception. A health insurance plan could require a patient to try a generic equivalent drug prior to providing coverage for equivalent branded prescription drugs. The bill would not mandate coverage for prescription medication if the coverage is not already a covered benefit by the patient's health insurance plan.

### Advanced Practice Nursing

The House Health and Human Services Committee is scheduled to work [House Bill 2066](#) on Monday, a bill that would no longer require Advanced Practice Registered Nurses (APRNs) to establish a collaborative agreement with a responsible physician or have physician oversight of APRN practices. The bill was heard last week.

### Pharmacist Drug Administration

The House Health and Human Services Committee plans to take action on [House Bill 2082](#) on Monday, which will authorize a licensed pharmacist to administer a drug by injection to a patient with a prescription order, unless the prescription specifically prohibits such administration. The committee heard the bill earlier this month.

### Energy Fairness Act

The Senate Utilities Committee will hear [Senate Bill 124](#) on Monday, a bill that would prohibit the Kansas Corporation Commission from certain charges for electric service. Specifically, any utility providing electrical service in Kansas can't base rates on different energy usage patterns of a distributed generation retail customer.

### Real Estate Licensing Provisions

The Senate Commerce Committee is scheduled to work [Senate Bill 60](#) on Monday, which amends education and experience requirements for real estate agents and brokers. The committee heard the bill last week, which is supported by the Kansas Real Estate Commission and the Kansas Association of Realtors. There were no opponents during the hearing. with no opponents.