



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

There's no doubt that taxes, school finance, and transportation are among the central issues of the 2019 Kansas Legislative Session, and this week saw significant movement across the board. As important deadlines loom, committees were busy hearing and working bills – many with three to four hearings a day. They have one more week to complete their work before March 22 when all non-exempt committees are done meeting for the year.

Tax Bill to Governor

The Senate voted 24-16 to concur with the House's changes to [Senate Bill 22](#) Thursday night and send the bill directly to the Governor. The measure before Governor Kelly now includes a penny reduction in the food sales tax and a provision requiring all internet retailers selling in Kansas to collect and remit sales tax. While the Kansas Department of Revenue struggled to project how much additional revenue Kansas will see from online sales tax, the two provisions are estimated to nearly offset, having little fiscal impact on the state budget.

The controversy surrounds the underlying measure in SB 22, which prevents a \$137 million tax increase on Kansas' multi-national corporations as a result of the 2017 Federal Tax Cuts and Jobs Act. Many lawmakers, including the Administration, have voiced strong opposition calling this another "Brownback tax cut" for businesses. The bill also allows individual Kansans to continue to itemize at the lower standard deduction rate on their state tax returns, which is estimated at around \$50 million of lost, but unexpected, revenue to the state coffers.

Shortly after the Senate vote, Governor Kelly was quoted as saying, "...our budget is fragile, this is not the time to make significant changes to our tax code." Most are expecting her to veto the bill, at which time it returns to the Senate for a potential veto override. A 2/3 majority, or 27 votes, would be required in the Senate. The House will require 84 votes for a veto override.

Senate Approves Governor's School Funding Bill, House Considers Alternative Plan

The Senate voted 32-8 to pass [Senate Bill 142](#) on Thursday, which appropriates an additional \$90 million to K-12 education in the next two-year budget. It also includes an increase in the Base State Aid Per Pupil over four years, totaling roughly \$360 million of additional state aid toward schools. This is essentially the Governor's plan she included in her budget as a response to the Kansas Supreme Court ruling that Kansas failed to include inflationary increases in last year's school finance plan.

The bill saw bipartisan support in the Senate, despite the plaintiff school districts in the lawsuit withdrawing their original support last week and now calling for \$900 million over the next four years toward public education.

The House, on the other hand, is taking a different approach to address the Court's latest decision. The House K-12 Education Budget committee began hearings on [House Bill 2395](#) on Thursday and intends to continue hearing and working that bill through all of next week.



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This bill also adds \$90 million to schools but just for fiscal years 2020 and 2021. It directs \$40 million of that toward mental health and evidence-based programs for at-risk students, as well as includes several accountability measures by the Kansas Department of Education to evaluate student outcomes as a result of increased funding. The Kansas Association of School Boards and Kansas School Superintendents Association do not support the House plan as it was introduced.

Budget

House and Senate budget committees began to work their budget bills and put them in position for future negotiations with the other chamber.

What is typically called The Mega Budget Bill is being assembled. Each chamber is putting their levels of spending on the various agencies and programs together. Many of these budget items will differ between the House and Senate. The budget levels for the big agencies will see the most differences. The budget committees already have different levels of funding for many social service and education programs. Funding for the university system is different. The Senate finished putting together their Mega bill this week. The House will finish next week.

Some budget items will be put off end of the session. The state employee salary's issue will be delayed until the end of the session. The Senate delayed many items at the Dept. of Wildlife Parks and Tourism, such as cabins at the state parks. The House will delay items, too. The transportation budget items will also be delayed. Some issues at the Dept of Corrections are still pending.

Transportation Plan Funding Bills on the Table

The House Tax, Senate Ways and Means, and Senate Transportation Committees began hearing the myriad of transportation funding bills that have been introduced this session. Most of the bills came out of the Transportation Vision Task Force's work last summer and fall to build the next state transportation plan and locate secure funding streams for it. The current 10-year TWORKS program expires in 2020.

Co-chair of the Task Force, Representative Richard Proehl (R-Parsons), reported to the House Tax Committee on Tuesday that their top three priorities in the next transportation plan are to: 1) spend \$500 million in preservation; 2) finish the 21 delayed TWORKS projects in the first four years; and 3) expansion planning.

Bills heard this week were:

- [House Bill 2367](#) – reinstates demand transfers to cities/counties for transportation projects.
- [House Bill 2368](#) – gives an exception to the property tax lid for transportation projects.
- [House Bill 2370](#) – increases the motor fuels tax by three cents over three years.
- [House Bill 2371/Senate Bill 187](#) – increases oversize load permits.
- [House Bill 2372/Senate Bill 189](#) – increases electric and hybrid vehicle registration fees.
- [House Bill 2381](#) – increases the motor fuels tax by six cents.
- [Senate Bill 186](#) – policies for the transportation planning program.



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Bill hearings scheduled next week in the House Appropriations Committee are:

- [HB 2373](#) – policies for the transportation planning program.
- [HB 2369](#) – feasibility study for additional toll projects.

At this point in the discussions, there is not much support for any increase in the motor fuels tax. There does appear to be traction behind the additional toll projects and increases in certain permit fees.

Budget Committees Strip Medicaid Expansion Funding

Both the House Appropriations and Senate Ways and Means Committees this week removed roughly \$14 million in state funds and \$409 million in anticipated federal dollars from the Kansas Department of Health and Environment's budget for the next fiscal year. That appropriation was included in the Governor's proposed budget plan for Medicaid expansion. Despite being one of Governor Kelly's top priorities, there continues to be a push and pull between expansion supporters and Republican leadership on the issue. At this point in the session, it will have to be a floor amendment to a germane bill in order to see any movement on Medicaid expansion this year.

Association Health Plans Moves, KFB Bill Stalled

The House Insurance Committee reconsidered and passed out [House Bill 2045](#) on Wednesday, which is the bundled Association Health Plan (AHP) bill. The measure makes several changes to the state Insurance Code to allow for broader AHPs in Kansas. The House is anticipated to consider the bill on the floor next week.

On the other hand, the already passed by the Senate, Kansas Farm Bureau healthcare benefit bill seems to be stalled in the House Insurance Committee. On Wednesday, an amendment narrowly passed to subject the measure to AHP law and jurisdiction of the Kansas Insurance Department. Immediately following, a motion was made and approved to table the bill and keep it in committee for further deliberation.

Senate Approves Utility Rate Study

The Senate approved 38-1 on Thursday, [Substitute for Senate Bill 69](#) that authorizes a comprehensive study of retail rates of Kansas electric public utilities. A compromise bill between consumers and utilities requires the Legislative Coordinating Council to hire an outside consultant to examine why Kansas rates are higher than surrounding states. The study is estimated to cost \$1 million. Reports are due to the Legislature by January 8 and July 1 of next year. The House Utilities Committee is already scheduled to hear the bill next Tuesday.

Commerce Committees Vet Economic Development

The Senate Commerce Committee held three days of hearings this week on [House Bill 2006](#). The bill authorizes the Legislative Post Audit Committee to conduct a systematic and comprehensive review, analysis, and evaluation of state economic development programs every three years, based on recommendations by PEW Charitable Trusts.



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The bill also instructs the Kansas Department of Commerce establish an online database to collect and disclose non-confidential data on the tax credits and incentive 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 House Commerce Committee heard on Tuesday and passed on Thursday, [Senate Bill 90](#), a bill aimed at rural economic development. The bill would allow financial institutions to claim the Center for Entrepreneurship tax credit beginning in tax year 2019. The maximum amount of tax credits would be increased from \$50,000 to \$100,000, and the total amount of tax credits that could be claimed would remain capped at \$2 million per fiscal year. The bill has already passed the Senate and awaits consideration by the House.

Unemployment Insurance for Privately Contracted Bus Drivers

The Senate Commerce Committee held a hearing on [SB 38](#) Friday, which proposes to allow privately contracted school bus drivers to apply for unemployment during the summer months when school is not in session. Kansas law specifically prohibits privately contracted bus drivers from seeking benefits during the off season while federal law also prohibits bus drivers employed directly by a USD from receiving benefits.

Proponents of the bill argued they are seeking parity in the law with other seasonally contracted USD providers, such as bus monitors and janitors, who may receive benefits for the summer months under state law. Opponents cautioned lawmakers to protect the integrity of the “safety net” fund and that benefits should only be paid when a worker unknowingly loses a job at no fault of their own. The Committee Chair indicated the bill may be worked next week.

Sports Wagering Discussions Continue, Hearing Next Week

The House Federal and State Affairs Committee received a report from the House-appointed subcommittee on sports betting this week. Both the Kansas Lottery and state-owned casinos are looking to implement and manage this new gaming opportunity in Kansas. A bill addressing the issue, [Senate Bill 221](#), will be heard by the Senate Federal and State Affairs Committees next Wednesday.

Next Week

Lawmakers will return for a full week of working to get nonexempt bills out of committee by March 20th and ready for full chamber debate the week March 25th. First Adjournment is set for April 5th when lawmakers return home for a 3 week break. The Veto Session begins on May 1st.