



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



Weekly Legislative Report, March 4-8, 2019

The Kansas Legislature returned from their week-long recess on Wednesday to officially start the second half of the 2019 legislative session. Committees held several hearings and continued to work bills, but much focus was on this year's mega tax bill that was debated and passed by the House on Thursday. Otherwise, it was a short and relatively quiet week under the dome with a few notable items detailed below.

Budget Update

With a short budget week, there wasn't much on the agenda for the budget committees. Both committees are starting the process of altering budgets so that there are items that can be used as bargaining chips during budget negotiations.

During their usual discussions the Senate Ways and Means Committee made changes to the Dept. of Wildlife, Parks, and Tourism budgets that the House didn't make. The Chair noted publicly that this was for negotiation purposes. Line items like cabins, trails, and river access were changed so they could be used later.

The House Appropriations Committee did the same for KDADS. Appropriations also reviewed the Kansas Corporation Commission budget and decided that they will take another look at that budget towards the end of the session. Questions about fees and the need for an Executive Director at the KCC spurred enough discussion to warrant a second look.

Both committees will continue to look at individual agency budgets next week. The Chair of Ways and Means noted that they are about half way thru their list of agencies.

February Tax Revenues Up

Kansas tax-only revenues were \$31.4 million above estimates for February putting the state about \$600,000 below estimates for the fiscal year that began July 1, but up \$118 million or 2.8% above last year's receipts for the same time period.

Primary February revenue producer was individual income taxes at \$134.6 million, which is \$44.6 million or 49% above estimates for the month. However, corporate income tax receipts were \$4 million, or 39% below estimates of \$6.5 million for the month. Sales taxes continued to fall below estimates, at \$168.9 million, 4% or \$7.1 million below predictions.



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Mark Burghart, Acting Revenue Secretary, stated that "Overall, through February, we are back on track with estimates." While higher revenues are always desired the estimates being back on target may indicate that sharp movements in revenues, as a result of state and federal tax law changes, might be leveling off in so that better revenue estimates can be made.

House Passes Tax Bill

The House spent two hours debating [Senate Bill 22](#) on Thursday before passing it 76-43 Friday morning. The bill prevents a nearly \$209 million tax increase in FY 2020 on both individual and corporate taxpayers that would have been a result of the Federal Tax Cuts and Jobs Act passed in December 2017.

Specifically, it allows Kansans to continue to itemize at the lower standard deduction rate on their state tax returns; decouples from provisions that would impose a new tax on Kansas' multinational corporations' income made overseas; and restores 100% deductions for medical expenses, property taxes, charitable contributions, and mortgage interest.

As amended by the House Tax Committee before Turnaround, the bill also includes lowering the food sales tax from 6.5 percent to 5.5 percent – a \$44 million cost to the state – partially offset by a \$24 million budget boost by requiring all internet retailers (even Amazon and eBay) to collect and remit tax on sales made in Kansas.

Several attempts to amend the bill on the floor failed, including a deeper reduction to the food sales tax and removing the corporate provisions. The one successful change to the bill was to streamline the definition of "food" with the federal Supplemental Nutrition Assistance Program (SNAP) program.

The Senate passed SB 22 – without the food or internet sales tax pieces – a month ago by a vote of 22-14. They are expected to take it up again next week. They can either concur with the House's changes and send it directly to the Governor or put it in a conference committee to negotiate between the two versions of the bill.

Most are expecting Governor Kelly to veto the bill when it gets to her, as she's been very vocal against it from the beginning. However, since the bill could now include a campaign promise of reducing the food sales tax, her veto message becomes a bit trickier. A veto-proof majority in the Senate is 27 votes and 84 in the House. Votes aren't quite there yet, but some might consider this a bargaining chip for other initiatives later in the session.



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Governor's School Funding Bill Moves

The Senate Select Committee on Education Finance passed [Senate Bill 142](#) on Wednesday, the Governor's response to the Kansas Supreme Court ruling on school funding adequacy. The bill spends an additional \$360 million on K-12 education over the next four years by raising the Base State Aid Per Pupil each year.

The Kansas Association of School Boards supported the bill and the Kansas National Education Association came in neutral during the hearing. However, the plaintiff school districts that originally supported the plan announced last week that they no longer believe it spends enough money on schools. The Schools for Fair Funding group opposed the bill during the hearing, saying the amount was short nearly \$1 billion over several years.

There appears to be some bipartisan support among most, but not all, legislators for the measure that is on the fast track and likely will be considered by the full Senate probably next week.

Lawmakers Host Medicaid Expansion Roundtables

The House Health and Human Services Committee hosted three days of roundtable discussions on Medicaid Expansion this week. Lawmakers and various stakeholder groups were at the table discussing the benefits and potential consequences of covering 130,000 more Kansans under Medicaid.

The Legislature passed a Medicaid expansion bill in 2017, which was vetoed by former Governor Sam Brownback and failed to receive enough votes to override. While this could be considered Governor Kelly's priority, both House and Senate leadership remain strongly opposed. Despite this week's discussions, it's still unsure whether either House or Senate Health Committee chair will hold an actual bill hearing this year, let alone allow for a vote.

Association Health Plans and Farm Bureau Health Care Bill

The bundled Association Health Plan (AHP) bill, [House Bill 2054](#), was pulled from the House calendar this week and sent back to the House Insurance Committee for further deliberation. It's expected to be reworked next Monday and potentially debated by the House on Wednesday.



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Because the federal government rolled back regulations last summer to encourage health insurance coverage outside of the Affordable Care Act, the state would need to amend several health insurance provisions in the Insurance Code to allow for broader AHPs in Kansas.

A stand-alone bill that is seeing traction is [Senate Bill 32](#), which is specific to allowing the Kansas Farm Bureau (KFB) to provide healthcare benefit coverage – not to be considered insurance – to their members outside of the jurisdiction of the Kansas Insurance Department. Blue Cross Blue Shield has come out in strong opposition to KFB’s bill, warning it would exclude those with pre-existing conditions and would provide compromised health benefits. SB 32 passed the Senate before Turnaround and was heard in the House Insurance Committee on Wednesday this week where it is uncertain if there are the votes to pass the bill out of committee.

Utility Study Compromise Reached

After days of negotiations, opposing parties to [Senate Bill 69](#) have apparently agreed on compromise language authorizing a comprehensive study of retail rates of Kansas electric public utilities, why they are higher than neighboring states, and possible solutions moving forward.

Two studies have already been done by the Kansas Corporation Commission and Energy (Wester and Kansas City Power & Light). SB 69 would allow the Legislative Coordinating Council to select an outside consultant to conduct an independent study. The new language adjusts the timeframe for the study and when the reports are due to the Legislature.

The Senate Utilities Committee adopted the amendments on Thursday and intends to kick the bill out to the full Senate next Monday or Tuesday.

First Transportation Task Force Bill Heard

The Senate Transportation Committee held a hearing on [Senate Bill 192](#) on Thursday that would authorize the Secretary of Transportation to designate toll projects on new and existing highways and require them to be partially funded through toll revenue. This is the first of several transportation task force recommendation bills to be heard this year. Next week the committee will consider another recommendation to increase registration fees for electric and hybrid vehicles.



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Transparency Bill Moves to Senate Next Week

The Senate Commerce Committee has scheduled a three-day hearing, Monday through Wednesday, next 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.

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 approved the bill unanimously before Turnaround.

New Sports Wagering Bills Introduced

Two bills were introduced this week, [House Bill 2390](#) and [Senate Bill 221](#), in the House and Senate Federal and State Affairs Committees that authorize sports wagering under the Kansas Expanded Lottery Act. The U.S. Supreme Court struck down a decades-old federal ban stating that sports betting was unconstitutional, so states are now looking at how to regulate it.

Informational hearings were held on the issue earlier this session, while the state-owned casinos and Kansas Lottery have been discussing several implementation options. The House Federal and State Affairs Committees will have discussion on the subcommittee's report next Monday, Thursday and Friday; and the Senate Federal and State Affairs Committee is planning on working the issue the week of March 18.

Tax Committee Considers Tax Lid Exception

The House Tax Committee heard [House Bill 2345](#) on Wednesday that would allow cities and counties an exception to the public vote requirement under the current tax lid. Municipalities would be allowed to levy property taxes at any level over the past seven years without a special election. Proponents testified that this bill would incentivize cities to decrease their budgets during years in which they can and pass along the savings to the taxpayer. No action was taken on the bill.



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Next Week

Lawmakers will return next week for a full week of committee hearings and floor debate. As the April 6th adjournment approaches quickly, we expect to see the pace pick up a bit.