



Kansas State Council of SHRM, Inc.
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Kansas Legislative Report, January 13-17, 2020

The 2020 Kansas Legislative Session kicked off on Monday with more steam than usual. More than 80 bills were introduced with several hearings on key issues already scheduled for next week. Committees were busy receiving reports from agency heads on various programs and settling into the rhythm of legislative session. Below are the highlights:

State of the State Address

Governor Laura Kelly presented her State of the State Address on Wednesday evening, where she made clear to Kansans what her priorities are for the upcoming year. Medicaid expansion topped the list, followed by transportation, and relief on food and property taxes while keeping to her commitment to fully fund the new school finance plan. The Governor warned she will demand a balanced budget and will veto any tax bill that “throws our state back into fiscal crisis, or debt, or sends us back to court for underfunding our schools.”

Governor’s Proposed Budget

The first week of the session was relatively calm for the budget committees. Both the House and Senate committees reviewed the latest updates on tax revenues, and also looked at the estimates for future revenues. Revenues coming into the State’s coffers have been beating estimates recently by varying degrees. This has given budget makers some optimism, but the general consensus is that even with increased revenues there will be still be concern about the “out years” or the budgets in four or five years. The demands for spending on K-12 education and social service issues continue to be major concerns for budget makers, even at the start of the session.

The Governor released her budget for the lawmakers to start work on. The Budget Director’s presentation to the budget committees noted the areas the Governor focused on in her budget: Medicaid expansion, education, public safety, and fiscal responsibility.

The Governor is proposing to pay off certain loans the State recently made to save on interest payments. She is also proposing to re-amortize the payment structure that has been put in place to pay off the unfunded liability of the Kansas Employees Retirement System (KPERs). She made a similar proposal last year which met stiff opposition by Republican budget committee members, the proposal didn’t pass last year.

The Governor is using these early debt pay-offs, and changes to tax policy, as part of her plan to fund her budget which includes expanding Medicaid. Republicans have generally been opposed to these methods in the past, but now both sides have a place to start their work on a final budget project. Legislative budget staff will begin the task of working on detailed agency budgets, and the budget committees will likely start their deliberations on individual agency budgets the first part of February.

Below are some highlights of the Governor’s budget include:

- Reduce reliance on KDOT, reduce transfer to \$158.7 million.
- Increase in career tech ed funding from \$4.5 million in FY’ 20 to \$8.5 million in FY 21.
- Low income food sales tax credit beginning in FY 22 equating to tax reduction of \$53.2 million
- Requiring marketplace facilitators to start collecting sales tax is estimated to bring in \$25.0 million.
- Restore Local Ad Valorem Tax Reduction to \$54.0 million.
- Medicaid expansion - \$17.5 million in FY 21 and \$35 million in FY 22. (Full year of expansion).



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- Executive branch employee pay raise, 2.5%.
- \$2 million for state park flood repair.

It is important to also note the Governor has included an 8% ending balance for the FY 21. Budget reviews will begin over the next few weeks.

Tax Committees

The House and Senate Tax committees hit the ground running, as taxes will be a major focus of the legislative discussions this year. From week one at least, it appears House Chairman Steven Johnson will focus primarily on federal decoupling issues, taxing internet selling, food sales tax cuts, and looking broadly at sales tax exemptions. Senate Chair Caryn Tyson has been working hard during the interim on comprehensive property tax reform, with many of her bills already introduced and hearings scheduled.

Agency Program Reports

Lieutenant Governor Lynn Rogers presented the initial report from the **Office of Rural Prosperity's** tour of roundtable discussions in more than 70 counties this summer and fall. His office identified that housing; physical and digital infrastructure; economic and workforce development; high property taxes; and access to quality, affordable health and child-care, as the top challenges facing rural communities. The Lt. Governor acknowledged that rural Kansas is becoming more and more underrepresented in the Legislature, so it's important that statewide legislative initiatives be considered for their effect on rural communities.

Department of Commerce Secretary David Toland presented to the Commerce committees on the current status of the **Rural Opportunity Zone (ROZ)** program that is not seeing much success across the state. He reported that 91% of Kansas counties saw a decline in their population; and 83% of ROZ recipients stated they would have moved into those counties without the program. The Department is recommending more community-driven policies that are unique to each county.

Secretary of **Wildlife, Parks and Tourism** Brad Loveless gave his department's update to the Senate Agriculture and Natural Resources committee. He reported that in 2018, Kansas tourism generated \$638 million in state and local taxes and supports one in every 20 jobs across the state. There were 35.6 million visitors whose spending increased 4.3% over the previous year. The KDWP's legislative agenda includes increasing license and permit fee caps; and establishing dynamic state park cabin pricing for travelers. The House Agriculture committee also heard the Sunflower Foundation's interim study report on rail trails across the state. Community perception is improving, and no specific legislation was recommended.

The Kansas Department of Transportation is beginning to promote their proposed **"FORWARD" transportation plan** to replace the expiring T-WORKS program. FORWARD will implement a shorter rolling program approach, where highway modernization and expansion projects are selected every two years. It will include limited alternative delivery contracting to deliver projects faster. Preservation projects will be prioritized, as well as additional consideration given to projects where communities provide a local match. The new plan is projected to cost \$9.9 billion over ten years.

The Kansas Department of Agriculture (KDA) gave an **Industrial Hemp** program update to the House Agriculture Budget committee. In 2019, there were 190 grower licenses approved, 20 distributors, and 35 processors. Licensed facilities were located in Thomas, Johnson, Sedgwick, and Riley counties. The KDA reported that 2,700 acres of hemp were planted, and 1,757 acres were harvested. Roughly 90% of the planted acreage was grown for CBD production. For 2020,



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the Department saw 40% of their applications from new growers not licensed in 2019. The U.S Department of Agriculture (USDA) issued their interim final rule in October, which provided requirements on commercial planting, harvesting, inspection, and transportation. The KDA will submit their Kansas plan to the USDA to begin commercial production. Upon approval, the research program will expire.

The **Kansas Lottery and Racing and Gaming Commission** reported to the Senate Federal and State Affairs committee that the Lottery had the highest revenue to date in 2019 from both traditional lottery games and state-owned and operated casinos. According to Lottery Director Steve Durrell, there are now 150 vending machines in operation, which were approved by the Legislature last year. Don Brownlee with the Racing Commission reported that while there are still three closed racetracks in Kansas, breeders are still breeding for racing out-of-state.

Republican lawmakers in the House introduced a resolution supporting a constitutional amendment calling for an August vote by Kansans to restore the Legislature's authority to regulate abortion in Kansas. The resolution is designed to address a decision by the Kansas Supreme Court last summer which held an abortion regulation passed into law two years ago unconstitutional. The House has scheduled hearings on Tuesday and Senate President Wagle, R-Wichita stated an identical resolution has been introduced into the Senate to speed action and that the issue will be dealt with quickly in both chambers. The resolution, which requires 84 House votes and 27 Senate votes, could be passed in two weeks, ready for the upcoming August or November election ballot.

KU Cancer Center Funding

The Senate Commerce committee held an informational hearing on the University of Kansas Cancer Research Center, which is the only National Cancer Institute (NCI)-designated cancer center in the state. They received the designation in 2012.

[Senate Bill 255](#) was introduced this week, which proposes to create the Cancer Research and Public Information Trust Fund and establish an automatic demand transfer from the State General Fund (SGF) in the amount of \$10 million per year. This would be in replace of the annual SGF \$5 million appropriation given since 2007.

KU Cancer Center Director Dr. Roy Jensen explained the importance of the NCI designation, and that the trust fund would demonstrate Kansas' commitment to maintaining it.

Other Notable Bill Introductions

[Senate Bill 259](#): Grants banks a privilege tax deduction for net interest from certain business and single-family residence loans. Hearings scheduled for next Tuesday – Thursday in the Senate Financial Institutions and Insurance committee.

[Senate Bills 262, 263, 264, 265, 266](#): Property tax provisions dealing with appraisers and the state board of tax appeals. Hearings scheduled for next Wednesday and Thursday in the Senate Tax committee.

[House Bill 2411](#): Limits the review of certain rules and regulations by the director of the budget. A hearing is scheduled for next Thursday in the House Federal and State Affairs committee.

[Senate Bill 252](#): Medicaid expansion compromise, which includes a reinsurance program for Kansans that don't qualify for aid. Hearings scheduled for next Thursday and Friday in the Senate Health and Welfare committee.



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[Senate Concurrent Resolution 1613](#) and [House Concurrent Resolution 5019](#): Constitutional amendment giving the Legislature power to regulate abortions in Kansas. A hearing is scheduled for next Tuesday in the Senate Judiciary committee.

Next week will be a short week with the Legislature observing Martin Luther King holiday on Monday, but expect committees to continue a good pace on Tuesday.