



Kansas State Council of SHRM, Inc.
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Kansas Legislative Report, February 3-7, 2020

The Kansas Legislature was interrupted mid-week, when House and Senate leadership officially closed both chambers on Wednesday to allow members to attend the Kansas City Chiefs Super Bowl parade. Some committees still met, but most of Wednesday's work has been rescheduled for next week.

*Another curveball came on Thursday when the House initially failed to receive the 84 votes needed to approve [SCR 1613](#), the Senate-passed **constitutional amendment on abortion**. Many were surprised when the tally came up 80-41, with four moderate Republicans voting against the measure. The House was under lock with a "Call of the House" most of Friday trying to force votes on the final bill. It was lifted around 4 pm when Leadership failed to garner the 84 votes needed for final passage. The final vote was 80-43. It is uncertain the impact this vote will have on the remainder of the session and there are concerns other key legislative issues, such as Medicaid Expansion, will be placed on hold as a result.*

Budget

It's been an on and off week for budget committees. The Senate Ways and Means committee and its subcommittees were more active than their House counterparts.

The full House Appropriations committee met to discuss the Performance Based Budgeting process. The legislature currently uses an incremental budget process covering two fiscal years. The House is exploring the possibility of using a performance-based process, which supporters believe would correlate dollars to outcomes. Agencies would have various performance measures and goals which legislators could look at when determining agency budgets. This performance management method could have a number of variables which would need to be codified and could take some time developing.

The Senate Ways and Means committee has been busy all week. Its budget subcommittees have been meeting and have made reports on some agencies to the full committee. Once all the subcommittee reports have been made, the full committee will draft its Senate version of the budget bill which will later be voted on by the full Senate before being sent to the House. The House will do the same with their budget bill before sending it to the Senate.

Senate budget subcommittees this week have looked at the Dept. of Corrections, the Dept. of Revenue, and the Dept. of Commerce, and other smaller agencies. Some issues that were discussed were the vehicle registration program at Revenue, economic development programs at Commerce, and the fingerprint system at the KBI.

The budget process will take up the rest of the session for Appropriations and Ways & Means.

Economic Development

Secretary of Commerce David Toland presented to a joint House and Senate Commerce Committee the 2019 annual report on **Sales Tax Revenue Bonds (STAR) Bonds**. There are 19 current projects across the state, and several have been met with strong opposition by Legislators.



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Since the program began in 1999, \$760 million in STAR bonds have been issued, with \$450 million yet to be paid off. Sales tax collections for STAR bond projects total \$90 million annually.

The STAR Bond program is set to expire this year, and the Department of Commerce is proposing legislation to extend and modify it. [HB 2529](#) was introduced this week and proposed changes in the bill include:

- Raising the threshold for a project from \$50 million to \$75 million
- Prohibits the purchase and sale of adjacent land by developer
- Gives authority to the Department to select the firms that conduct feasibility studies
- Adds major medical facilities to the list of qualified projects

To review the Annual STAR Bond Report and other transparency reports released by the KS Department of Commerce [click here](#).

Secretary Toland also presented at the joint meeting an update on the **Border War Agreement** between Kansas City, MO, and the state of Kansas. Last fall, the Governor issued an Executive Order prohibiting Sect. Toland from authorizing incentives to attract companies across the border. During the Monday update, Sect. Toland stated the Governor is committed to using incentives efficiently and the Border War is the best example of inefficient use of incentives. He also updated the committee that a recent ordinance passed by KCMO reduces the number of years property tax can be abated from 25 yrs. to 10 yrs. Some lawmakers expressed their non-approval of the Executive Order because they feel the Governor should have allowed the Legislature to address the issue.

Looking ahead...

Senate and House Commerce Committees will continue studying ways to promote economic growth in Kansas including the much anticipated presentation on the states long-term plan *Kansas Framework for Growth* by the Brookings Institute.

Taxes

The Senate Tax Committee heard from the former president of the Utah Senate on their **Truth in Taxation law**, which requires public notice to taxpayers when property taxes are increased beyond the “certified tax rate”. [Senate Bill 294](#) was heard on Friday. The bill would require any governing body that elects to draw more income from property tax revenue to hold public hearings and then vote to raise the mill levy. Local governments voiced strong opposition during the hearing on several key provisions in the bill, including how the certified tax rate is calculated and public notice requirements.

The House Tax Committee approved and placed on the consent calendar [House Bill 2466](#), which enacts the **Kansas Taxpayer Protection Act**. The Act sets new requirements on tax returns and penalties for fraudulent tax preparers. The committee is hearing next week a similar bill from last year, [Senate Bill 104](#), that also includes homestead property tax relief for seniors and disabled veterans.



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The House Tax Committee heard [House Bill 2538](#), which increases the state's **standard deduction** from \$3,000 to \$4,000 for single filers and from \$7,500 to \$8,000 for married filers. The committee discussed the benefits of this bill over the itemization proposal in HB 2005 that was heard last week.

Looking ahead...

The House Tax Committee is scheduled to take final action on [House Bill 2005](#) next week that decouples Kansas from federal law and allows individuals to **itemize on their state tax returns** regardless of how they itemize federally.

Addressing internet sales tax concerns is a top priority for the Legislature this year, and the House Tax Committee rescheduled two hearings on the topic to next week. [House Bill 2513](#) requires **marketplace facilitators**, like Airbnb, to collect and remit transient guest tax dollars to the Kansas Department of Revenue. [House Bill 2537](#) requires **remote sellers** make \$100,000 in gross receipts from sales before being subject to sales tax nexus requirements.

The Kansas Chamber of Commerce is taking another run at comprehensive **federal windfall** bill that the Governor vetoed last year and has stated she will veto again. [House Bill 2553](#) decouples from federal law on key items such as the standard deduction, earnings on foreign income, and small business expensing. A hearing is scheduled for February 17 in the House Tax Committee.

Workforce Development

House Commerce held a hearing on the **Kansas Targeted Employment Act**, [HB 2416](#), a bill set out in the House Republican's "[Make Kansas Work](#)" initiative. The bill proposes to establish an income tax credit for businesses who hire persons receiving state assistance. For each hour a targeted employee works the business would receive \$4 for US citizen employed and \$6 per hour for someone recruited from outside the country. The bill requires the employer's work setting be an "integrated setting" as defined in the bill.

Committee members asked several questions of the proponents trying to understand how the legislation would work and who the bill intended to target. Opponents offered several amendments, but it is uncertain if the committee will work the bill.

Looking ahead...

House Commerce is expected to work on [HB2507](#), which looks to address liability protection for businesses that participate in high school work-based learning programs. The committee chair has worked with opponents to address concerns on how the liability is shared between USD's and businesses.

In addition, the House committee will work [HB2515](#), another component of the House Republican's "[Make Kansas Work](#)" that proposes the Kansas Promise Scholarship Program. Under this program high school students who graduate from a Kansas high school and seek a "top 10" in need career pathway would qualify for the scholarship if the student agrees and completes a 2 years post-graduation work commitment with a Kansas company.



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Health

As hearings on **Medicaid expansion** concluded last week, the Senate Health Committee heard from Attorney General Derek Schmidt about his concerns on the constitutionality of the Affordable Care Act as an individual mandate and what that means as Kansas is considering expanding KanCare. The committee is scheduled to work and possibly act on [Senate Bill 252](#) next week, but with the vote outcome on the SCR 1613 it is uncertain if debate on this might be stalled..

Looking ahead...

The Senate Ways and Means Committee is scheduled to discuss and possibly take action on [Senate Bill 255](#) next week, which would appropriate \$10 million per year to the NCI-designated **University of Kansas Cancer Center**.

A hearing on [House Bill 2459](#) in the House Insurance Committee was rescheduled to next week that would require health insurers to expand coverage of **treatment of mental illness and substance use**. For patients who have substance use disorder, are afflicted with suicidal ideation, or are actively suicidal, the bill would require health insurers to provide coverage without prior authorization or utilization review.

Transportation

KS Department of Transportation requested their bill outlining the newly proposed transportation program FORWARD. [HB 2588](#) and [SB 375](#) contain the multi-modal plan that proposes a rolling 2-year project window where each of the six Transportation Regions can submit three projects into the pipeline. Projects are then vetted for construction—looking for local match, feasibility, and other criteria. Not all projects in the pipeline will be selected for construction. FORWARD will be funded by a three-year restoration of the sales tax transfer, bonding authority, and an increase in the local match.

Economic Lifelines will host a press conference with the Governor highlighting the benefits of the program on Wednesday February 12 and hearings on the bill are expected to begin the week of February 17th.

Utilities

London Economics, the consultant chosen by the Legislature to **study retail rates** of Kansas public utilities, presented their report to the House and Senate Utilities Committees. The firm compared Kansas to 18 other states and found that investments in environmental compliance, increased transmission costs, changes in industry, high surcharges on customer bills, and higher taxes on the electricity sector, have all contributed to Kansas' high electricity rates.

The firm gave lawmakers options moving forward. Some of those recommendations include:

- Require utilities to produce annual integrated resource plans
- Shift to performance-based ratemaking, based on service quality and reliability
- Securitize rate payer-backed bonds



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- Establish a long-term state energy plan and guide for regulators and utilities to use in investment decisions

The industry was given a chance to respond to the study findings and discussions will continue next week.

Looking ahead...

The Senate Utilities Committee will hold a hearing on Wednesday for [Senate Bill 339](#), which would allow the **Kansas Corporation Commission to approve certain contract rates** by an electric public utility for an industrial or commercial customer and associated cost recovery without the filing of a general rate case. Evergy requested the bill modeled after a similar program in Missouri. Supporters suggest if passed it would give Kansas an economic development tool to attract large companies with higher energy use. Opponents of the legislation fear it could create a cost shift leaving smaller utility users to pick up the costs of the larger users.

Also on Wednesday, the Senate Utilities Committee will also hold a hearing on [SB 380](#), which would prohibit municipalities from charging an addition fee, tax or rent for placing micro wireless facilities on current cable stands and providing wireless services such as broadband and wifi over the cable stand.

Insurance

The Senate Financial Institutions and Insurance Committee held hearings on three bills supported by the Kansas Insurance Department (KID). [House Bill 2480](#) would amend the definition of “**long-term care insurance**” and remove the requirement that a policy would have to be for 12 consecutive months or more. [Senate Bill 291](#) would authorize the Insurance Commissioner **subpoena and investigative powers** for insurance fraud violations and assess a civil penalty for any violation of the subpoena. [Senate Bill 303](#) would require KID employees or contractors with access to confidential information to be **fingerprinted** and undergo state and national background checks.

Looking ahead...

The Senate Financial Institutions and Insurance Committee scheduled a hearing on [Senate Bill 323](#) for next week, dealing with **automobile liability and property and casualty insurance**. Under this bill, it would not be considered a denial of renewal if changes are made to an individual’s policy, and the insured receives a copy of the new policy more than 30 days prior to the renewal date. For businesses, the new policy must be received more than 60 days prior to the renewal date.