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Kansas Legislative Report, March 9-13, 2020

It was a pivotal week in the 2020 Kansas Legislative Session as leaders began considering their response to the coronavirus statewide emergency declaration. The Governor issued a state of emergency and limited Statehouse access to only building employees and those conducting legislative business. With concerns increasing, the House passed an emergency resolution Friday extending the Governor's authority to marshal state resources to address the Covid-19 crisis until January 25, 2021 or until the Governor ends the emergency declaration. It is expected the Senate will consider the resolution on Monday when they return.

There is growing speculation the Legislature will follow suit and adjourn for spring break as early as next Wednesday. While non-exempt committees officially have until March 20 to complete their work, lawmakers became increasingly rushed as the week progressed. First adjournment is currently scheduled for April 3 and Veto Session beginning on April 27.

Below is a recap of this week's happenings.

Budget Review

The Senate took a short lead in the budget process this week. The budget subcommittees finished work and the Senate committee was able to put together an initial budget bill. A number of items have been left for consideration at the end of the session. This budget bill could be debated on the Senate floor as early as next week, with amendments that start the process of closing the Bank of KDOT.

The House budget committee looks to complete their work next week when it finalizes its initial budget bill.

If the Legislature shuts down for an extended period, these two important issues have cleared the first major hurdles in the process. In recent years, most of the budget work has been pushed off till the end of the session.

Taxes

The House Appropriations Committee pulled a \$54 million transfer to local governments from their budget this week. Governor Kelly's proposal was to reinstate funding of the Local Ad Valorem Tax Reduction (LAVTR) program – which the Legislature ended in 2003 – to help local governments reduce property taxes. The Senate Ways and Means Committee took similar action last month. Lawmakers were concerned that the money would not be used for

its intended purpose, nor would it be enough to provide substantial property tax relief across the state.

The House Tax Committee held a hearing on [House Bill 2727](#), which would require the Legislature to either repeal or suspend an existing sales tax exemption of equal or greater fiscal impact before enacting a new sales tax exemption. It also includes a provision that would impose sales tax on certain personal services that are now exempt, to include barber shops, beauty and nail salons, and other personal care services. The Department of Revenue estimates that this new sales tax would generate \$14.2 million annually. The proposal was introduced last year by a legislator from south central Kansas but has been met with strong opposition from non-profit and various business interests.

The House Tax Committee also began hearing a few of the property tax bills passed by the Senate before Turnaround. Senate Bills [262](#) and [265](#) make minor changes to the appeals process at the State Board of Tax Appeals (BOTA). Neither had any opposition during the hearings. The committee will consider five more property tax bills next week, most notably [Senate Bill 294](#). Considered the most controversial of all of the property tax bill proposals this year, SB 294 repeals the property tax lid that has been in place since 2015 with a public hearing requirement if local governments increase their revenue from property valuations from the previous year. While the bill passed the Senate unanimously, it's expected to have a tougher time in the House and will be a key point of negotiation in the House and Senate Conference Committee.

Economic Development

In preparation of working [House Bill 2529](#), the House Commerce Committee spent a day discussing Sales Tax as Revenue (STAR) Bonds this week. The bill was heard last month and extends the program that is set to expire this year to 2025. The Department of Commerce has proposed many changes to the tax incentive program that has been highly scrutinized in recent years. The Senate has introduced their own bill, [Senate Bill 498](#), which only extends the current program for one year. Both committees are scheduled to hear and/or take final action on their bills next week.

The Senate Commerce Committee heard and worked [HB 2702](#), a bill which proposes to decouple the Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) workforce training programs from the High-Performance Incentive Program (HPIP). The bill was supported by both the Department of Commerce and the Kansas Chamber and passed with an amendment to make it effective upon publication in the register.

Utilities

The Senate Utilities Committee heard [House Bill 2618](#) this week, which establishes the State Broadband Deployment Grant Program to be administered by the new Office of Broadband Development in the Department of Commerce. The purpose of the program would be to award funding to applicants seeking to expand access to broadband internet service in the state. The funding for the grant program is included in the transportation plan appropriations. The bill was supported by most cable and telecommunications companies, along with organizations representing a number of industries. The chairman plans to work the bill next week.

The House Utilities Committee heard [Senate Bill 126](#), which would exempt certain public utilities from state income tax and require lower electric rates as a result. The bill was introduced last year when the Legislature commissioned a study to examine Kansas' high electric rates and is generally supported by the industry. The Kansas Electric Cooperatives testified as neutral during the hearing, proposing an agreed-upon amendment by the proponents of the bill.

The House Utilities Committee also heard [Senate Bill 380](#) which pertains to cable providers. The bill allows cable companies to deploy strand mount in the city. Proponents of the measure argue that this will allow new technology to be deployed at a quicker rate. Opponents, who will testify next week, argue that local governments will not have a say in the permitting process.

Finally, the House Utilities Committee finished their hearings on [Senate Bill 339](#), the SEEDS bill, on Thursday. The bill authorizes the Kansas Corporation Commission (KCC) to regulate electric public utility rates to allow contract and discounted rates for certain facilities. The bill is seen as an economic development tool that could be used to recruit large facilities with higher than average utility usage.

Transportation

Both budget committees passed out their \$10 billion, 10-year highway transportation plans this week, but the House's plan makes significantly more changes to what was originally proposed by the Kansas Department of Transportation. During committee deliberation, many House members expressed disappointment in not having more time to evaluate the extensive amendments before having to vote on the bill. Some of those major changes include:

- Devotes \$5 million to creating a short line rail improvement fund for qualified railroad track maintenance. The state would match money from short line railroads or owners/lessee of track siding along a short line railroad 70% to 30%.
- Renames the program from FORWARD to the Eisenhower Legacy transportation plan.
- Eliminates a requirement to set aside \$500 million for alternative delivery road projects, unless required through a federal grant.
- Commits \$80-\$100 million a year in sales taxes to paying off bonds.
- Requires 17 unfinished projects from the last transportation program to be let for construction by July 1, 2022, instead of July 1, 2023.
- Establishes a formula for ensuring that a minimum amount of money will be spent on modernization and expansion projects in each of the state's six transportation districts across the state.

Gaming

The House Federal and State Affairs Committee held two days of hearings on a bill to legalize sports wagering in Kansas. [House Bill 2671](#) would allow betting at lottery retailers and potentially at horse and dog racing tracks. According to opponents, the bill would impose a much higher tax than the Senate-passed bill – [Senate Bill 283](#) – which is supported by and gives oversight to the state's four-owned casinos. It's still unclear when the House committee will their bill or when the full Senate will consider theirs.

Human Resources

The House Commerce Committee heard one bill and passed another this week targeted at encouraging more hiring of persons with disabilities. [House Bill 2701](#) would give preference to persons with disabilities – similar to what is offered to veterans – for employment and promotion in Kansas state government if qualified to meet the performance standards of the position. There was no opposition during the hearing, and the bill is expected to be worked next week. The committee made some amendments before passing [Substitute for House Bill 2416](#) that would create the Kansas Targeted Employment Act (Act), establishing a tax credit for businesses that employ individuals with intellectual and developmental disabilities (I/DD). Sub. for HB 2416 now awaits consideration by the full House.

The Senate Commerce Committee heard and passed out [House Bill 2507](#), a bill that would exempt businesses from certain liability claims from a high school student participating in a work-based learning program. Provided the student's school district has purchased the applicable insurance coverage, a business would not be subject to civil liabilities from a claim arising from the student's negligent act or for bodily injury, sickness, or death by accident of the student. The purpose of the bill is to eliminate liability concerns by the business community to encourage more workforce training and recruitment programs. The bill passed the House 97-27 and now awaits consideration by the full Senate.

Next Week

The House Federal and State Affairs will hear [House Bill 2130](#), amending the Kansas Act Against Discrimination by prohibiting discrimination in employment, housing, and public accommodation based on a person's sexual orientation, gender identity, or expression.

The House Commerce Committee will hear [House Bill 2642](#), which will extend the maximum weeks of unemployment insurance to April 1, 2021. This measure is targeted towards the Wichita aircraft workers that have recently been laid off.

The Senate Assessment and Taxation Committee will hear [Senate Bill 369](#), which is aimed at requiring third-party marketplace facilitators to collect and remit sales, use and transient guest taxes from sales made through their platforms. This bill would assure that internet marketers such as Etsy and Airbnb are collecting taxes equivalent to the brick and mortar Kansas retailers.

Finally, [House Bill 2743](#) will be heard in the House Judiciary Committee. This bill allows the chief justice of the Kansas supreme court to alter or suspend deadlines to secure the health and safety of court users, staff and judicial officers. This bill is in response to the Coronavirus and has been put on a fast track for passage.