



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



Kansas Legislative Report, March 2-6, 2020

The Kansas Legislature returned from their week-long recess on Wednesday to officially start the second half of the 2020 Legislative Session. Other than Budget and Tax, very few committees met; and only a handful of bills were on General Orders in the Senate. The Legislature was Pro Forma on Friday, making it a very quiet, two-day week.

Budget

Another short week for the budget committees. Senators began discussion on the Judicial Branch budget. The Chief Justice of the Kansas Supreme Court stressed that pay for District and Magistrate Court judges and staff is well below other states pay. Low pay is affecting the Judicial Branch because they are not able to recruit qualified candidates for judgeships and recruiting and retaining staff is even harder, especially in the rural areas of the state. The Chief Judge also noted that not having an adequate judicial system is bad for businesses, especially those looking to enforce contracts. Judicial pay could end up being a hot topic at the end of the session.

The House Appropriations Committee began their discussion on the Education budget this week. The major education funding issues: dollars going to the classroom, special education, and at-risk programs, will be on the table in the next few weeks. There is some talk about at the Statehouse about waiting to deal with larger budget issues after the April revenue numbers are announced.

The House Appropriations Committee removed \$17.7 million in funding for Medicaid Expansion this week, with most Republicans on the committee supporting the motion. Supporters of the motion stated if the Senate passes Medicaid expansion this session, money could be reallocated during consideration of the Omnibus appropriations budget. Those opposing removal of the funding believe that the budget should support the House's position which passed Medicaid Expansion last session.

Next week additional budget hearings will continue in both committees as well as consideration of the FORWARD Transportation plan in [House Bill 2588](#) and [Senate Bill 375](#).

Taxes

The House Tax Committee met this week to hear one of Governor Kelly's proposals to impose sales tax on digital property beginning next fiscal year. [House Bill 2685](#) would cover a range of digital goods such as music, movies, games, books, mobile applications, and streaming and subscription services. The Kansas Department of Revenue reported that 29 other states currently tax digital goods, and that Kansas is losing between \$45-\$50 million in tax revenue each year.

Proponents argue that the legislation is not a new tax, but rather broadens the tax base that has unintentionally fallen off as technology has advanced. Some lawmakers, however, view the measure a tax increase on their constituents – which is never popular during an election year. The committee considered an interim study to look at using the revenue to buy down the overall state sales tax, making the proposal budget neutral.



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Next Thursday House Tax will be holding a hearing on [House Bill 2727](#), which requires the repeal or suspension of an existing sales tax exemption in order to implement a new exemption. The bill also proposes to add two new sales tax exemptions: one for Envision and another for the Friends of Hospice of Jefferson county. The bill also imposes sales tax on new person services such as barber shops, beauty salons, nail salons and massages.

Economic Development

The House Commerce Committee amended and passed out [House Bill 2689](#), which was pulled from the House calendar, blessed, and rereferred back to Committee before Turnaround. The bill extends the sunset on the Angel Investor tax credit from 2021 to 2026 and increases the cap by \$500,000 increments annually, from \$6 million in 2021 to \$8 million in 2025 and ongoing. Any unused tax credits may be carried over into future tax years. The measure also increases the amount of tax credits claimed on a qualified business investment by 50% and raises the total allowed amount claimed by an investor in any one year from \$250,000 to \$350,000.

The bill is aimed at encouraging new capital to flow into and grow the biosciences industry in Kansas. It does include a provision that would require repayment of the incentive should the business not be in substantial compliance with the program within five to ten years.

The House STAR Bonds extension bill, [House Bill 2529](#), will be worked next week in the House Commerce Committee. We expect the program's sunset date will be extended as well as amendments to what can qualify as a project.

Health

Of the four bills on the Senate's debate calendar this week, [House Bill 255](#) appropriates \$10 million from the existing Cancer Center Research account in the State General Fund to the University of Kansas Medical Center to enhance research, recruitment, and retention efforts for cancer researchers and clinicians. The bill includes a matching requirement by the Medical Center on the first \$5 million. HB 255 passed the Senate unanimously.

The Senate also debated [House Bill 225](#), which makes changes to the hospital provider assessment program and the selection criteria of the panel who administers it. The bill would increase the annual assessment tax rate on hospitals from 1.83% to 3%, bringing in an additional \$160 million to be used as a match for drawing down more federal Medicaid funds. HB 225 passed the Senate by a vote of 31-9.

Next Week

As important deadlines loom, committees are gearing up for a busy week to hear and work bills – many with three to four hearings a day. Lawmakers only have two weeks to complete their work before March 20, when all non-exempt committees are done meeting for the year. A few of the leading issues on the docket deal with transportation, KPERS, sports wagering, utility rates, food sales tax, STAR bonds, sales tax exemptions, and rural hospitals.