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## Kansas Legislative Report, February 17-21, 2020

*With the official halfway point in the session on the 27<sup>th</sup>, Monday is the last day for committees to meet and work bills. Each Chamber will be on the floor debating legislation until adjournment on Thursday, after which the Legislature will enjoy a five-day break until March 4. All bills that have not been “blessed” or reside in non-exempt committees, and don’t pass their Chamber of Origin by the 27<sup>th</sup>, are considered dead for the year.*

### Taxes

The Senate Tax Committee passed out another three **property tax reform** bills that deal with **appraisers and the Board of Tax Appeals (BOTA)**. [Senate Bill 265](#) would give the option for a party or their attorney to receive notices or orders from BOTA by electronic means. Service by electronic means would be complete upon transmission. [Senate Bill 262](#) would allow an aggrieved party to request a full and complete opinion from BOTA within 21 days after date of service of the Board’s decision. [Senate Bill 297](#) would require appraisal directives to require compliance with uniform standards of professional appraisal practice in performance of property tax appraisals. SB 297 was placed on the Consent Calendar. The other two await consideration by the full Senate.

The Committee also heard two more property tax bills, [Senate Bill 301](#) and [Senate Bill 309](#). SB 301 would change the **property tax valuation cycle from one to three years**. Senator Hildebrandt testified that Kansas is only one of 11 states that value annually. “Sticker shock” was a common reason for opposition during the hearing. SB 309 would clarify in statute what is evident in case law that the **burden of proof in property classification disputes** falls on the county rather than the taxpayer. The Chair has indicated that she plans to work both bills soon.

A bill from last year, [Senate Bill 196](#), was heard in the Senate Tax Committee and expands the **expense deduction** to all taxpayers. Under current law, Kansas corporations, banks, trust companies, and savings and loans are allowed to claim the Kansas expensing deduction for investments in qualifying machinery and equipment that are placed into service in Kansas for tax year 2014 and each future tax year. SB 196 would also allow individual income taxpayers to claim the expensing deduction. The bill got held up during conference committee discussions last session, but there appears to be a desire to act on the bill this year.

The House Tax Committee heard [House Bill 2553](#), the **federal decoupling** bill from the Tax Cuts and Jobs Act. A very similar proposal was vetoed last year by Governor Kelly. The bill deals mostly with foreign income made by multinational companies based in Kansas. Most expect the Governor to veto the bill again, but proponents are hoping to negotiate on certain items to lower the fiscal impact.

### **Commerce**

The House Commerce Committee heard [House Bill 2529](#) that extends the sunset of the **STAR Bonds** program to 2025, adds rural development projects, major business and medical facilities, increases project investment and sales tax requirements, and adds a return on investment analysis. Senator Julia Lynn, Chair of the Senate Commerce Committee introduced a Senate bill. We expect the issue to be worked after turnaround where the House and Senate will coordinate on any final proposal that may advance.

House Commerce also held a hearing on [House Bill 2702](#), a bill that would remove the requirement under current law that taxpayers who claim the **High Performance Incentive Program** (HPIP) tax credit participate in either the Kansas Industrial Training (KIT) or Kansas Industrial Retraining (KIR) Programs. The Kansas Department of Commerce testified during the hearing that the credit has gone down by 50% over the last few years, and decoupling the programs frees up money to be used more efficiently for other training programs. The Kansas Chamber and several local chambers were supportive of the measure. There was no opposition.

The House also heard support for renewing the Angel Investor Tax Credit bill, [House Bill 2689](#). This bill would extend the program for 5-years and phase an increase on the program cap from \$6M to \$8M over the renewed 5-year period. Taxpayers participating in this program would be able to carry-forward the tax credits as well as allow a taxpayer who is in good standing to transfer credits to another taxpayer. There was no opposition to this bill, and it is expected it will be considered after turnaround with other economic development measures.

Both House and Senate Commerce Committees worked [House Bill 2506](#) & [Senate Bill 366](#), both aimed at expediting Kansas licensure for individuals relocating to Kansas. Originally designed to expedite licensure for military spouses, these two bills expand an expedited process to all licensed professionals except attorneys, who are licensed by the Judicial branch. The lead proponent Rep. Criss Croft, Overland Park-R, has worked with opponents to negotiate certain provisions. Today, HB 2506 was amended in the House Committee modifying the required timeframe to issue licenses from the originally introduced 10-day time frame to 45 days for all nonmilitary applicants. Those affiliated with the military would need to receive their licenses within in 14 days. Senate Commerce is scheduled to work SB 366 on Monday.

### **Unemployment Insurance**

House Commerce committee on Friday worked [House Bill 2315](#). This bill proposes to allow privately contracted school bus drivers to qualify for unemployment benefits during the summer months. Advocates for the bill stated by allowing the privately contracted bus

drivers to collect unemployment in the summer months levels the playing field with other bus positions such as monitors and will allow the bus companies to retain the drivers for the next season. However, proponents raised concerns that bus drivers know their jobs will be seasonal and should not qualify for the benefits during the summer months. After significant discussion the committee failed to advance the bill to the full House.

There are several other bills awaiting action which address a myriad of unemployment issues. The bill most likely bill to receive traction will be a bill aimed at providing relief to the Wichita aviation laid off workers [House Bill 2642](#).

## Insurance

The Senate Financial Institutions and Insurance Committee heard [Senate Bill 323](#), dealing with personal automobile liability insurance and property and casualty insurance. The bill would clarify that 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.

The Senate FI&I Committee also held two days of hearings on [House Bill 2459](#) 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. The committee is expected to act on the bill next week.

## Health

The Senate Health Committee began their work on [Senate Bill 252](#), which expands **Medicaid** in Kansas. Several controversial amendments were added to the bill that ultimately led to the measure stalling in committee after a vote to move the bill out of committee failed 4-5. Supporters of expansion argue the amendments were designed to kill the bill. They include a work or education requirement; provider conscience opt-out for birth control or abortion services; a delay for implementation until the Supreme Court rules on the ACA individual coverage mandate; and a provision that enactment of the bill is dependent upon passage of the abortion constitutional amendment. House Speaker and Senate President, who do not support Medicaid Expansion, have said the expansion issue will not be debated until the "Value them Both" constitutional amendment is passed by the Legislature.

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

The House Appropriations Committee heard [House Bill 2522](#), a bill that is part of the House GOP's "Make Kansas Work" Plan. The proposal creates a \$30 million **Rural Hospital Innovation Grant Program** within the Kansas Department of Health and Environment (KDHE). Douglas, Johnson, Sedgwick, Shawnee, and Wyandotte counties are not eligible to apply. Transitional assistance would be granted when a hospital's current healthcare delivery model is changed to a more appropriate system for the community served. Every \$1

of state funds awarded would require a \$2 match from private stakeholders, which could include hospital foundations or other organizations. The Kansas Hospital Association was supportive of the bill during the hearing but did note it will not have the same impact as expanding Medicaid.

### **Transportation Plan**

Both the House and Senate budget committees held hearings on the Kansas Department of Transportation's (KDOT) new **"FORWARD" state transportation plan**. Companion bills, [Senate Bill 375](#) and [House Bill 2588](#), outline a multi-modal plan that will have 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- but it is important to note not all projects in the pipeline will be selected for construction. FORWARD is funded by a three-year restoration of the sales tax transfer, bonding authority, and an increase in the local match.

The Kansas Contractor's Association (KCA) testified during the hearings they would like to see a **"trigger" mechanism** inserted into the bills that would trigger an additional penny sales tax on motor fuel if the state sweeps more than \$150 million from the State Highway Fund for other SGF priorities. KCA indicated concerns the proposed funding in FORWARD is not adequate. Discussions on the plans are in the initial phase and there is significant support for a new multi-year plan.

### **Sports Wagering**

After days of deliberation, the Senate Federal and State Affairs Committee finally passed out [Senate Bill 283](#), **legalizing sports wagering in Kansas**. The state would receive 7.5% of revenues from sports betting at the four state-owned casinos and 10% on internet gaming through casinos' chosen vendors. The Kansas Lottery opposes the bill in its current format, as it does not allow online lottery sales. Governor Kelly has also threatened to veto the bill if iLottery does not get included. Lawmakers are still hopeful a compromise can be made between the casinos and the Lottery at some point as the bill moves through the process. SB 283 now advances to the full Senate.

### **Banking**

After negotiations between bank and credit union representatives proved unsuccessful, the Senate Financial Institutions and Insurance Committee finally acted on [Senate Bill 259](#), which **grants banks a privilege tax deduction** for net interest from certain business and single-family residence loans. The bill was amended before passing out of Committee to limit the deduction to loans only made in Kansas. Lawmakers also approved a conceptual amendment that expands the service area for credit unions from 1 million people to 2.5 million. The contentious bill is viewed by the Heartland Credit Union Association as a double standard, giving for-profit banks the tax benefits of not-for-profit credit union cooperatives while not requiring them to adhere to the same market restrictions. The bill now heads to the full Senate for consideration.

### **Legal Reform**

Three new tort reform bills were introduced this week in the Senate Judiciary Committee that deal with **attorney's fees and litigation practices**:

- [Senate Bill 445](#): prohibiting deceptive lawsuit advertising practices and restricting the use or disclosure of protected health information to solicit individuals for legal services.
- [Senate Bill 446](#): capping attorney's fees in certain civil actions.
- [Senate Bill 447](#): requiring certain discovery disclosures in third-party funded litigation and requiring payment of certain costs for nonparty subpoenas.

## Agriculture

The House Agriculture Budget Committee approved an additional appropriation of \$300,000 to the Kansas Department of Health and Environment's (KDHE) Bureau of Air Quality. The KDHE is proposing an increase on Class I and Class II air emitters due a decrease in emissions and corresponding revenue coming into the **Air Quality Program**. The EPA mandates air quality standards and that the state inspect these facilities on a prescribed schedule. This appropriation, if approved in the final budget bill, would prevent partly or in full the proposed permit fee increases. The full House Appropriations Committee is expected to act on the subcommittee's report next week. [House Bill 2715](#) was also introduced to restrict the KDHE from raising air permit fees without legislative approval and includes a **cap on such assessed fees**. No hearing is scheduled on the bill, and some Legislators are considering adding those provisions as a budget proviso instead.

The Senate Agriculture Committee heard and passed a Senate Concurrent Resolution stating that the Kansas Legislature supports Kansas farmers, ranchers, and agribusinesses in the **Rattlesnake Creek sub basin in protecting their water rights through collaboration with the Quivira National Wildlife Refuge** to find a solution to an impairment complaint filed with the Kansas Department of Agriculture Division of Water Resources. Sponsors of [SCR 1614](#) are Senators Wagle, Kerschen, and Taylor.

The full House passed [House Bill 2432](#) by a vote of 122-0. The bill creates the Kansas **pesticide waste disposal program** within the Kansas Department of Agriculture and allows up to \$50,000 be transferred annually from the Kansas agricultural remediation fund for administration of the program. The bill now heads over to the Senate Agriculture Committee after Turnaround.

Two companion bills, [Senate Bill 242](#) and [House Bill 2517](#), were passed out of their respective Tax Committees and would provide a **tax abatement or credit on agricultural homestead property** destroyed or at least 50% destroyed during a Governor-declared state natural disaster. The bills were introduced by two legislators that represent the Leavenworth County area and in response to the damaging tornados they experienced last spring. The agribusiness industry was successful in amending HB 2517 to extend the abatement/credit to public grain warehouses in addition to on-farm storage. The Senate Committee amended SB 242 to extend the abatement/credit to all commercial property. Both bills await consideration by their full Chambers.

## Other Issues

House Commerce Committee held a hearing on [House Bill 2625](#), which proposes a **state pre-emption on cities and counties from prohibiting and regulating paper or plastic carryout bags and other single-use plastic items**. The bill drew support from Kansas retailers seeking a statewide position on regulating such items and opposition from the League of Municipalities and environmentalist who want the oversight left with local government. The House committee advanced the bill on Friday to the full house after amending it with a 5-year sunset in hopes the parties will come together with a statewide position.

The Senate Judiciary Committee passed [Senate Bill 344](#), which removes the vehicle photo requirement in the **Scrap Metal Theft Reduction Act**. The bill leaves the integrity of the database intact, which is being implemented this year to help law enforcement better track and prevent metal theft. The bill now awaits consideration by the full Senate.