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## **Kansas Legislative Report, January 27, 2023**

*The pace picked up significantly this week in the Kansas Legislature. Lawmakers near the first legislative deadline next Monday, when all member-sponsored bill drafts must be requested by the revisors office. We saw 125 new bills introduced this week and 70 hearings scheduled for next week.*

### **State of the State Address**

Governor Laura Kelly presented her fifth State of the State Address on Tuesday evening, kicking off her second term in office. Her priorities for the upcoming year include cutting taxes on food, school supplies, and retirement income; expanding Medicaid; legalizing medical marijuana; addressing water and workforce shortages; and expanding mental health services.

While her address didn't surprise many, it did garner a response from GOP leadership. Senate President Ty Masterson (R-Andover) said he looks forward to meeting Governor Kelly "in the middle" on cutting taxes, passing a balanced state budget, and bringing new economic development to Kansas. The speech also reviewed the Republican's "Better Way" plan to give parents more rights over education choices, decrease energy prices, and preserve protections on abortion policy.

You can read the [full transcript](#) of the Governor's State of the State and watch a video of the [GOP response](#) if you missed it.

### **New State Senator and Majority Whip**

Tim Shallenberger (R-Baxter Springs) was elected by Republican precinct members in District 13 to serve out Senator Richard Hildebrand's term in the Kansas Senate after resigning earlier this year. Shallenberger defeated Dan Muter 87-42, who also ran for the seat. He was sworn into office this week and has already received his committee assignments on Commerce, Local Government, Transportation, and Transparency and Ethics.

Shallenberger is not new to state politics, formerly serving as state treasurer, speaker of the house, Kansas Republican Party chair, and Governor Sam Brownback's legislative director.

Hildebrand also left behind the position of Senate Majority Whip. This week, the Republican caucus elected Senator Rick Kloos (R-Berryton), defeating Senator Kellie Warren (R-Leawood) by a vote of 17-9.

### **School Choice, Abortion Debates Begin**

Two hot issues that are expected to be headliners this session surfaced this week. The House K-12 Education Budget Committee held a two-hour hearing this week on [House Bill 2048](#), which would expand a program that offers state tax credits for donations to private-school scholarships. Another proposal is expected to be introduced this session that would allow students to use their state aid from property taxes paid to be used for private school education.

Representative Randy Garber (R-Sabetha) is preparing to propose a constitutional amendment like Value Them Both that failed on the August primary ballot. Senator Chase Blasi (R-Wichita) has also introduced [a bill](#) that would allow local governments to regulate or restrict abortions.

House leadership has not formally commented on either proposal but is focusing on protecting current restrictions in state law, such as limits on late-term abortion, parental consent for minors, and strengthening pregnancy and crisis centers.

### **Taxation**

In recent years, the Legislature has passed several bills trying to address high property taxes across the state. This week the Senate Assessment & Taxation Committee heard [Senate Bill 8](#), which would significantly reduce the mandatory penalties for the late filing, or failure to file, personal property renditions and the discovery of escaped personal property.

The Senate Tax Committee also heard testimony on [Senate Bill 41](#), which would allow Kansas Retailers to retain 1.5% of the retail sales and compensating use tax that they collect each month not to exceed \$300. This bill would allow retailers to recover some of the cost associated with collecting taxes for the state of Kansas.

Next week the House and Senate Taxation Committee will continue to hear bills proposed by the Governor, legislative leadership and the business community. The bills include:

- [House Bill 2107](#) and [House Bill 2109](#), both bills will increase the threshold for taxes paid on social security benefits.
- [House Bill 2110](#) will allow for an election for single factor apportionment for companies in Kansas.
- [House Bill 2106](#) will allow for a state and local sales tax exemption for the sale of machinery, equipment and installation of telecommunications property.
- [Senate Bill 54](#) expands the state sales tax exemption on the sale of certain utilities but allows for the collection of local sales tax.

- [House Bill 2018](#) provides for a sales tax holiday for school supplies, computers and clothing.

### **Legal Reform**

The Kansas Chamber of Commerce has requested two legal reform bills that will be heard next week in the Senate Judiciary Committee. The first, [Senate Bill 74](#) provides for the disclosure of third party funded litigation. This bill was proposed last session but did not advance out of committee. The second bill, [Senate Bill 75](#) changes the legal interest rate from a fixed rate to a variable rate. This will lower the interest rate for those involved in litigation.

### **Insurance**

The Senate Financial Institutions and Insurance Committee heard six Kansas Department of Insurance bills last week and the House Insurance Committee will heard many of those same bills this week including bills to for the change to the risk based capital statute [House Bill 2100](#) and [Senate Bill 14](#).

The Senate FI&I Committee will hear [Senate Bill 25](#), which reduces the tax on surplus lines companies from 6% to 3%. This bill was requested by the Kansas Association of Insurance Agents to align the Kansas surplus lines tax with surrounding states.

### **Economic Development**

The Kansas Department of Commerce (KDOC) presented its annual report on incentives to the Post Audit Committee. KDOC highlighted the 274 economic development projects that have retained or established 13,548 jobs with \$7.4 billion in capital investment. To review the full report [click here](#) or watch the Post Audit hearing [click here](#).

Next Wednesday, the House Commerce will hear [House Bill 2123](#) that develops the Right to Start Act and targeted toward entrepreneurs and start-up companies. The bill would establish the office of entrepreneurship within Commerce and ask that 5% of state contracts and certain incentive funding go towards Kansas businesses that have been in operation for less than five years. In addition the bill encourages the elimination of first-year business fees and requires the office of entrepreneurship to submit an annual report to the legislature.

### **Workforce Development**

Representative Kristey Williams introduced [House Bill 2132](#) in the House Appropriations Committee, which proposes to expand the fields of study to include transportation in the Kansas Promise Act. This program, passed in 2021, provides service scholarships for students to attend Kansas community colleges and Kansas technical colleges in specific high demand fields of study. In addition to the expansion of the field of studies there are amendments to clarify some of the fund provisions.

### **Plastic Bag Ban Pre-emption**

Senate Commerce will hear [Senate Bill 47](#) on Tuesday, which is the revised plastic bag ban pre-emption bill. This year's version adds consumer merchandise and auxiliary

containers. The bill aims to prevent local government from prohibiting the sale of commercially legal items, such as puppies. Governor Kelly vetoed last year's bill which was limited to plastic bags and other plastic items.

### **Kansas Film Industry Incentive Bill**

On Thursday, the Senate Commerce Committee will hold a hearing on [Senate Bill 91](#), the Grow Kansas Film industry bill, which proposes income tax credits, sales tax exemptions, loan and grant programs geared to grow the film industry in Kansas. This initiative is aimed at both attracting more film production in Kansas but also assisting the film education system. [House Bill 2182](#) has also been introduced, but no hearing has been set.

### **Budget Update**

House Appropriations heard reports from several state agencies. The Kansas Department of Transportation discussed current highway programs, the Kansas Department of Health and Environment updated the committee on federal Medicaid funds and the decrease that is coming once COVID programs have expired and the Kansas Department of Agriculture discussed consumer food products grow in Kansas and the state's response to wildfires.

Senate Ways and Means Committee heard from the Kansas Department of Education about mental health initiatives in Kansas K-12 schools. A pilot program has been in place for a few years now where mental health services in schools are provided to students and staff. The number of school districts taking part in this program continues to increase. Updates on the KU Cancer Center, and inmate work programs were also on the Ways and Means schedule.

Next week budget subcommittees will begin to meet and start the process of reviewing agency budgets and budget requests.

### **Water Funding**

The Senate Agriculture and Natural Resources Committee received a presentation from the Kansas Water Office (KWO) this week on Local Enhanced Water Management Areas (LEMAs). In the Kansas Water Authority's [annual report](#), they urge the Governor and Legislature to fully fund implementation of programs, projects and recommendations identified in the Kansas Water Plan. The KWO has requested \$450,000 in additional funding for additional partnerships to improve water quality in the Arkansas River Basin and Milford Lake. They are also requesting another \$450,000 toward conserving and extending the life of the High Plains Aquifer. They noted that the State Water Plan Fund – while fully funded to statutory requirements last year – is not sufficient to carry out the Kansas Water Plan.

### **Looking Ahead**

Next week, the House and Senate will continue their committee work, hearing bills and beginning to take action on them. Bill introduction deadlines are fast approaching with Legislative Turnaround Day, the first of the major deadlines, slated for February 24<sup>th</sup>.