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## Kansas Legislative Report, February 6-10, 2023

*With less than three weeks left before Turnaround – when bills must pass their original chamber to stay alive for the year – the pace picked up significantly this week in the Kansas Legislature. Revisors worked furiously to meet today’s deadline when all non-exempt bills must be introduced. Both Chambers began considering non-controversial bills on their General Orders, several hot topic bills were introduced, and hearings are quickly filling up committee calendars. The last day for non-exempt committees to meet is February 21 followed by Turnaround on February 24.*

### First Round of Tax Cut Bills Advance

The Senate Tax Committee quickly passed out six bills on Wednesday, totaling nearly \$180 million in tax cuts. The most significant is [Senate Bill 33](#), which would exempt all social security benefits from Kansas taxable income. Tax cuts on retirement income has generally received bipartisan support, but there are different proposals still being considered on how best to provide that relief.

Other tax cut bills that are heading to the Senate floor for debate are:

- [Senate Bill 30](#) would provide an increase in the standard deduction for individual income taxes based on federal cost of living adjustments.
- [Senate Bill 40](#) would create a subtraction modification for taxpayers who carried back federal net operating losses in tax year 2018 through 2020 due to the pandemic.
- [Senate Bill 94](#) would eliminate the statewide mill levies of 1.0 mills for state educational buildings and 0.5 mills for state institutions buildings.
- [Senate Bill 60](#) would provide a sales tax exemption for custom meat processing services.
- [Senate Bill 53](#) would exclude from sales price, the value of manufacturers’ coupons on goods when the retailer is reimbursed by the manufacturer.

## **Committee Passes School Choice Legislation**

The House K-12 Education Budget passed [House Bill 2218](#), which would establish the Sunflower Education Equity Act to provide education savings accounts for qualified students in Kansas. It would allow parents to use the state aid for pupil toward private school tuition. The bill is targeted toward lower income families but phases in all students by 2026. The bill now heads to the full House for debate.

Democrats and education advocates strongly oppose the bill, saying that it will decimate the public school system in Kansas. Other school choice proposals will be considered this legislative session, but it's unlikely any will receive Governor Kelly's signature into law.

## **Economic Development**

[House Bill 2334](#), the bill to extend the deadline for the mega project economic development program APEX, has been set for a hearing in House Commerce on Tuesday, February 14<sup>th</sup>. This bill proposes to extend by one-year the Secretary of Commerce's authority to enter into APEX agreements through December 31, 2024 and suppliers to for the project through May 1, 2025. The bill also proposes changes to tax credit percentages as well other clean up provisions. It is expected this bill will be closely scrutinized by lawmakers on both sides of the aisle concerned about the true cost of this program to the state while proponents will note this program as put Kansas on the map for economic development from all corners of the world.

On Thursday, February 16<sup>th</sup>, the House Taxation Committee will have a hearing on [House Bill 2220](#), which proposed to establish a five-year property tax exemption for city, county and township property for business incubators. "Incubator" is described in the bill as property under public ownership that would provide temporary tenancy to start-up microentrepreneurs, microenterprises, new technology development entities or commercial entities at below market rates for a term of five years or less.

The House Taxation Committee on Monday will hear [House Bill 2182](#), 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. This is the sister bill to [Senate Bill 91](#), which was heard in Senate Commerce Committee last week and drew a lot of support from both lawmakers and film advocates.

## **Workforce**

[House Bill 2292](#) will be heard on Monday in House Commerce, which proposes enacting the Kansas apprenticeship tax credit act to encourage development of apprenticeship programs in Kansas by providing income tax credits for participating businesses that employ apprentices. Currently thirty states offer some form of an apprenticeship incentive including Missouri, Iowa and Colorado. Adding Kansas to this list is seen as a positive step towards assisting employers with innovative ways to address their workforce shortages.

On Wednesday, the House Commerce Committee will hear [House Bill 2333](#), the Unemployment Insurance "ghosting" bill. This measure would establish parameters for

hiring employers to report job applicants who fail to appear for their job interviews to the Kansas Department of Labor, and if verified, cease unemployment benefits for job candidates who missed the interview without just cause. With the extreme workforce shortages in the state, this measure is seen by proponents as another way to ensure all eligible workers are active in the job market.

House Federal and State Affairs Committee will be hearing [House Bill 2044](#) on Thursday, February 16<sup>th</sup>, which proposes to amending the definition of "race" in the Kansas act against discrimination to include traits historically associated with race, including hair texture and protective hairstyles.

### **Tourism**

On Tuesday, House Commerce will consider [House Bill 2344](#) which proposes to expanding the membership of the council on travel and tourism by adding three seats for small venues, museums and Kansas Sampler. In addition, the bill seeks to modify the percentages in the grant program for tourism promotion by reducing the allocation of grants for public entities and removing the limitation on grant amounts to any single entity. The proposed percentage changes better reflect the current tourism industry needs and will provide more flexibility in project awards that provide the best ROI.

### **ESG Investing Bill Expands to Private Sector**

Lawmakers have been working since last year on legislation that aims to prevent environmental, social, and governance (ESG) investing in Kansas. The first proposal was introduced this week, [Senate Bill 224](#), which would enact the Kansas Protection of Pensions and Businesses Against Ideological Interference Act. The bill would require the Kansas Public Employee Retirement System (KPERS) to divest from and prohibit state contracts with entities engaged in boycotts of particular industries, such as firearm manufacturers or oil and gas companies.

Kansas would be one of 17 states that have introduced ESG legislation in the past year. SB 224, however, looks beyond just state investments and to the private sector. The measure would also require private financial managers to get approval from their clients before investing any funds in firms that use ESG principles.

Newly elected Attorney General Kris Kobach said that fighting this issue is one of his top policy priorities. State Treasurer Steven Johnson seems to be taking a position that focuses on making the most financially profitable investments.

Banks, credit unions and business organizations will likely fight back against this specific proposal as they work toward finding other solutions that work for Kansas.

### **Local Government**

Next week, the House Judiciary Committee will hear [House Bill 2326](#), which will extend the sunset for an additional five years and further defines catalytic converters. The act will sunset in July if it is not renewed.

The House Water Committee will hear [House Bill 2302](#) next week Tuesday. The bill increases and secures funding for the state water plan over the next five years. This

funding increase is possible because of the additional revenue the State of Kansas has seen in recent years.

### **Plastic and Consumer Product Ban**

The Senate Commerce Committee 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. There is growing concern about the broad definition of consumer merchandise. Look for the committee to adopt additional exemptions to these provisions, include one for tobacco products.

### **State Budget Review**

The House and Senate budget subcommittees continued to churn through agency reports this week. The Legislature typically does not make significant changes to small agency budgets. However, large agency requests require significant oversight time from budget lawmakers.

Several are still in the process of receiving federal funds from COVID relief or part of the infrastructure bill. Pandemic dollars must be allocated and spent by the end of this year. Infrastructure money can continue into next fiscal year, so federal fund cash flow complicates budget deliberations and future projections significantly.

The common theme among all agency reports so far is workforce. The ability to pay salaries and wages competitive with the private sector continues to be a challenge. Employee shortages are impacting agencies across Kansas, both in urban and rural counties. Lawmakers plan to increase funding for key positions and specific skill sets needed.