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Kansas Legislative Report, February 13-17, 2023

This was the last full week for non-exempt committees to complete their work for the first half of the legislative session. We saw committee debate on [transgender sports](#) and [abortion](#) heat up this week.

Next Tuesday marks the official last day for those committees to meet, so a few of them still have agendas on the calendar. Starting next Wednesday, Legislators are on the floor working toward Turnaround on Friday, February 24. All non-exempt bills that haven't passed their House of Origin by Turnaround are dead for the year. Lawmakers will then have a four-day weekend and return to start the second half of the session on Wednesday, March 1.

Workforce

The House Commerce Committee heard and passed [House Bill 2292](#) this week. The bill would enact 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.

An eligible employer that employs an apprentice under a registered apprenticeship agreement would be eligible for a tax credit of up to \$2,500 per apprentice per year through 2025. In 2026, the credit would increase to \$2,750. The committee amended the bill to require the apprentice to be employed through the established apprenticeship probationary period during the calendar year preceding the taxable year that the employer claims the tax credit. An employer could claim up to 20 apprentices each year but could not receive the credit for the same apprentice more than four times.

The committee also amended the bill to allow nonprofit employers to apply for a grant equitable to tax credit since they do not pay income tax and increased the cap for the bill from \$7.5 million to \$10 million. The bill awaits consideration by the full House next week.

A bill that could encourage more **commercial truck drivers** in Kansas is awaiting consideration by the full House next week. [House Bill 2132](#) would amend the Kansas Promise Scholarship Act by expanding eligible programs to include elementary education, secondary education, and transportation.

The bill would also clarify that for students enrolled in a promise eligible program at a private college that the scholarship amount would be the aggregate amount of tuition, mandatory fees, and the cost of books and materials for the academic year, minus all other student aid. For the same eligible programs at a public college, the scholarship could not exceed the average cost of tuition, required fees, and the cost of books and required materials.

The House Commerce Committee passed a bill this week that would establishing a state **employment preference for persons with disabilities for the executive branch**. [House Bill 2253](#) would enact Kathy's Bill and require the state to give preference to individuals with disabilities in hiring and promotion, including offering an interview. The bill also requires preference be given to individuals with disabilities for retention in the event of layoffs. The bill awaits consideration by the full House next week.

On Wednesday, House Commerce held a hearing on [House Bill 2333](#), the **Unemployment Insurance Ghosting bill**, would expand job seeking requirements related to unemployment insurance benefits. Specifically, the bill allows employers to report claimants who refuse an offer of suitable work, fail to appear for a previously scheduled job interview without notification, or fails to respond to an offer of employment within five days. The Kansas Department of Labor then has five business days to notify the claimant they are being investigated for job ghosting and if no reasonable cause is found for the failures outlines above the claimant will be denied benefits until reemployed. The Committee is expected to work the bill early next week.

Taxation

The House and Senate Tax Committees were busy this week hearing and advancing bills. The Senate Assessment and Tax Committee has scheduled extra meeting dates next week to work. Both the House and Senate Tax Committees are exempt committees so bill that are introduced or referred to these committee can be acted upon after the turnaround deadline. Because these committees are exempt, we do not expect much floor action on tax items before turnaround.

The House Taxation Committee:

- Held several days of hearings on [House Bill 2061](#), which would enact a **single tax rate** for both individuals and corporations;
- Passed [House Bill 2109](#), increasing the threshold for income tax to apply to **social security** benefits; and,
- Next week will work [House Bill 2110](#), **single factor income tax apportionment** for certain industries next week.

The Senate Assessment and Taxation Committee:

- Passed [Senate Bill 41](#), which enacts a **retailer allowance** for the collection and remittance of sales tax to the state;
- Passed [Senate Bill 80](#) which excludes **social security** benefits from the definition of household income; and,
- Will work [Senate Bill 169](#) next week which provides for a flat income tax of 4.75% for individuals.

Water

The House Water Committee passed a historic bill this week, earmarking a percentage of the state **sales tax toward funding the State Water Plan**. Current law requires a \$6 million transfer from the State General Fund and \$2 million transfer from the Economic Development Initiatives Fund to the State Water Plan Fund each year. Not until recently, however, did the Legislature fulfill that statutory requirement, shorting water funding \$84.5 million since 1991. The 1.2% sales tax carve-out in [House Bill 2302](#) is projected to generate \$54.1 million next fiscal year.

The Water Committee passed another significant bill this week, that would require groundwater management districts (**GMDs**) to **submit annual reports** to the Legislature and identify priority areas of concern where water quality or quantity is deteriorating. GMDs would submit written action plans to reduce consumptive use in those areas to the Chief Engineer by July 1, 2026. [House Bill 2279](#) passed after a Legislative Post Audit report was presented to the Legislature on Wednesday that showed only two GMDs had water conservation programs that resulted in increased water in their aquifer.

The Senate Agriculture Committee passed [Senate Bill 205](#) on Friday, a bill that would authorize certain water rights in a water bank to participate in a **multi-year flex account (MYFA)** if such applications were submitted on or before December 31, 2022. KDA Division of Water Resources Chief Engineer Earl Lewis reported to committee members during the hearing that they are trying to balance the needs of a water user in a single year while not increasing consumptive use over a five-year period.

All three bills await consideration on the floor next week.

Foreign Investment

The House Agriculture Committee heard a bill on Thursday that would prohibit conveyance of certain **real property to foreign adversaries**. Under the provisions of [House Bill 2397](#), no person owned by, controlled by, or subject to the jurisdiction or direction of a foreign adversary would be allowed to purchase or otherwise obtain ownership of any interest in real property located in Kansas. The bill allows the Secretary of Agriculture to adopt rules and regulations to add or remove a government or non-government person from the definition of “foreign adversary” after consideration of the risk to state and national security and the economic costs and benefits of such action.

Attorney General Kris Kobach testified in support, but prefers broader policy found in Senate Bill 100 that doesn't limit to “foreign adversaries” and rather expands it to any “foreign national or foreign business entity.” He presented several other amendments he's like to see if the bill moves forward. However, a few agricultural organizations who are currently taking a neutral position on HB 2397 would strongly oppose the bill if the AG's changes are adopted. The committee is scheduled to act on the bill early next week.

Law Enforcement

A bill amending the **Scrap Metal Theft Reduction Act** was heard by the House Judiciary Committee on Thursday. Scheduled to sunset this year, [House Bill 2326](#)

extends the program for another five years through July 1, 2028. It also adds catalytic converters to the regulated scrap metal provisions covered in the act. The City of Wichita, in particular, has seen an uptick in catalytic converter thefts. The Chiefs of Police and Sheriff's Associations reported during the hearing that queries are up 400% since 2021 in scrap metal database. HB 2326 is expected to be worked by the committee early next week.

The House Corrections Committee heard [House Bill 2398](#) that increased penalties for the manufacture and distribution of **fenntanyl**. The Committee also heard [House Bill 2390](#) which decriminalizes the use of **fenntanyl test strips**. The bills were combined and passed the committee. House Bill 2398 will be considered by the full House next week.

Economic Development

On Monday, the House Taxation Committee heard [House Bill 2182](#) - the Grow Kansas Film industry proposal, which is the sister bill to [Senate Bill 91](#). These bills proposes to create income tax credits, sales tax exemptions and loan & grant programs geared to incent growth in the Kansas film industry. On Thursday, the Senate Commerce Committee worked Senate Bill 91 and kicked it out after making a few amendments to the bill including replacing refundability with transferability for the tax credits for up to 10 years and removed the educational grants aimed at incentivizing more Kansas students to enter the industry. The bill now heads to the full Senate for consideration.

House Commerce Committee heard the APEX renewal bill, [House Bill 2334](#) on Tuesday. This bill proposes to extend the program for one additional year allowing Kansas Department of Commerce to continue their discussions with potential future mega project companies. In addition, the bill makes changes to certain provisions from last year including the amount authorized for relocation fees. Some committee members expressed concern about renewing the program as well as the cost of the incentives and number of workers the projects require. The bill has been blessed and will not be worked until the second half of the session.

Also on Tuesday, House Commerce heard [House Bill 2344](#) which proposes to expand the membership of the Council on Travel and Tourism to include a position for museums, small event venues, and the Kansas Sampler. The bill also proposes modifications to the Tourism Promotion Grant program by reducing the allocation of grants for public entities and removing the limitation on grant amounts to any single entity so the program better aligns with existing demands. It is expected the House Commerce will work this bill next week.

On Thursday, House Commerce held a hearing on [House Bill 2387](#), which proposes amendments to the STAR Bonds program that includes the creation of a permanent fund to be used to compensate existing STAR Bond Districts for loss of revenue due to the reduction in sales tax on food. The bill also proposes to include as qualifying projects amusement parks over \$100 million investment as well as vertical and personal property for renovation of historical theatres. The Committee is expected to work the bill next week.

Local Government

Several local government bills saw action this week in the Local Government and Commerce Committee. The Senate Commerce Committee took action on [Senate Bill 47](#), which is the revised **plastic bag ban pre-emption** bill. This year's version adds consumer merchandise and auxiliary containers. The Committee removed the auxiliary container provision from the bill but failed to advance the bill out of committee. We expect a more narrow plastic preemption bill to resurface during the second half of the legislative session.

[House Bill 2150](#) was also voted down in committee this week. The bill would eliminate the **three-mile rule** and planning authority for cities. The House Local Government Committee failed to advance the bill.

Next week a hearing will be held on [Senate Bill 252](#) in the Senate Assessment and Taxation Committee. This bill would provide for a property and sales tax exemption for certain businesses **competing against governmental entities** within the same county.

State Budget Review

Budget committees kept up the pace this week reviewing agency budgets. Not many changes are made to smaller agencies, so they tend to pass through the budgeting process quickly.

The House Appropriations Committee continued discussion on employee salaries and recruitment this week. There is also growing concern among committee members with sustaining current funding levels as federal dollars have bolstered the state budget in recent years. This week, they deleted a \$50 million item from the Governor's budget as they begin to work through remaining federal money allocations.

Both the House and Senate budget committees began discussing among themselves strategies to use in budget negotiations at the end of session. Thus, agencies and supporters of certain policies typically watch for budget items that are set aside for later review.

Budget reports should wrap up by the end of next week. Budget committees could see some longer hours as they work toward Turnaround on Friday.