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Kansas Legislative Report, January 30-February 3, 2023

It's week four of the legislative session, and 128 more bills were introduced. This is typically when committees go into overdrive to meet quickly approaching legislative deadlines. Over 75 hearings are scheduled for next week.

Monday was the last day for individuals to request bill drafts from the revisor's office, and next Friday is the last day for bill introductions in non-exempt committees. Exempt committees – not subject to legislative deadlines – are the House and Senate Federal and State Affairs, Senate Ways and Means, Senate Assessment and Taxation committees, and House committees on Appropriations and Taxation.

Non-exempt committees have two more full weeks to complete their work before bills go to the floor and Turnaround break starts on February 25.

Income Tax Cut Proposal Costs \$3 Billion

The Kansas Division of Budget released its fiscal note on [Senate Bill 61](#) on Monday. According to analysts, the Kansas Chamber's income tax cut proposal would cost the state more than \$3 billion over three years.

Governor Kelly and Democratic leadership have criticized the plan, saying it harms low-income earners and favors more wealthy Kansans. Proponents of the proposal, recognizing the initial fiscal note is not reasonable, say that the bill is a starting point for discussion on how the Legislature can provide all Kansans with income tax relief.

State Revenues Continue to Climb

The Kansas Department of Revenue reported this week that state tax revenues in January were \$1.04 billion, up \$55 million or 5.6% above estimates and \$102.4 million or 10.9% above January 2022. Kansas now has over \$5.5 billion in total state tax receipts so far this fiscal year.

Each month that state revenues exceed estimates, the discussion on tax cuts heats up. Governor Kelly's priorities are cutting sales tax food and school supplies and exempting social security benefits from income tax. The Legislature is considering those proposals plus others that would also provide property and income tax relief.

Treasurer Proposes \$1 Billion Transfer to Rainy Day Fund

Newly elected State Treasurer Steven Johnson proposed to the Senate Ways and Means Committee this week making a \$1 billion transfer from the state's high budget balance to the budget stabilization fund. This is \$500 million more than the Governor proposed in her budget.

He warned lawmakers that Kansas can't continue to depend on COVID-19 federal aid to sustain the state budget as a nation-wide recession looms. He also reported that the state would collect \$45 million a year in interest on that transfer and bring the "rainy day" fund balance to over \$2 billion.

Kansas Attracts Another APEX Project

Governor Kelly announced yesterday that Kansas-based Integra Technologies plans to invest \$1.8 billion in a large-scale semiconductor facility in Wichita. This is the second-largest private investment in Kansas history, taking advantage of \$304 million in tax incentives that Kansas passed last year to attract the Panasonic battery plant.

The 1 million square-foot plant and headquarters facility will create nearly 2,000 jobs averaging \$51,000 in wages. A Wichita State University economic impact study estimates an additional 3,161 jobs will be generated by suppliers, construction labor, and other service positions. To read the press release for more details [click here](#).

Kansas Department of Commerce and Economic Development

On Thursday the Agriculture and Natural Resources Budget began its review of the Department of Commerce's budget. Several budget enhancements have been requested including \$3 million for Workforce Campaign, \$2.2 million for Tourism Marketing and Attraction Development Grant, \$1.2 million for the International Division, \$500,000 for the Office of Apprenticeship and \$2.3 million for Office of Rural prosperity. To view the Departments testimony outlining these enhancements [click here](#).

On Wednesday, the House Commerce Committee held a hearing on the [House Bill 2123](#) which would create a new office of entrepreneurship within the Department of Commerce and provide other assistance to helping entrepreneurs get started in Kansas. The initiative is being led by Rep. Tory Blew, Great Bend-R and drew some concern from business advocates for a 5% preference outlined in the bill. However, proponents of the measure seem willing to negotiate on areas of concern and it is expected the committee will work the bill in the coming weeks.

On Thursday, Senate Commerce heard testimony on [Senate Bill 91](#), the Grow Kansas Film Industry bill. Several advocates discussed the positive impact creating incentives for film production and education would have in Kansas highlighting that film production is no longer tied to Hollywood. The bill drew only one opponent, who challenged the ROI of film tax credits in other states. To watch the hearing, [click here](#).

Next week, the House Taxation Committee will hear [House Bill 2111](#), which is the Governor's proposal to fully eliminate sales tax on food. This bill would establish the STAR bonds food sales tax revenue replacement fund to address the loss of sales tax revenue from food sales in existing STAR bond districts.

Legislature Begins Studying ESG Investments

The House Insurance and Pensions Committee held an informational hearing on Wednesday on Environmental Social Governance (ESG) investing. Members received a [staff briefing](#) followed by testimony from the [Kansas Bankers Association](#) and [Americans for Prosperity](#).

While no legislation has been introduced yet, several lawmakers have been crafting a comprehensive bill since last fall to address national ESG practices in Kansas. Banks and businesses are concerned that it could include policies that interfere with and penalize certain lending or investment decisions. The bill is expected to be introduced in the coming weeks.

Water Update

The Kansas Legislature has been looking at water quality and quantity issues in Kansas for decades. Now, the Chairman of the House Water Committee Jim Minnix (R-Scott City) is introducing a long-term funding bill of the Kansas Water Plan, which is hoped to be a big, first step in finding solutions to what has become a crisis in many Kansas counties.

The bill creates a new funding mechanism through a portion of the state sales tax to replace the current statutorily required transfer of \$8 million to the State Water Plan Fund. The Kansas Water Authority testified in the committee last week that it estimates needing \$70 million to fully fund existing programs each year. The sales tax carve-out proposal would generate roughly \$66 million a year.

The new dollars would go to retire a portion of state debt on two reservoirs, agricultural water conservation education, a cost-share program with municipalities to replace lead pipes, assistance in applying for federal grants, and the hiring of additional water engineers within the Kansas Department of Agriculture and Kansas Water Office.

The Water Committee is holding its first bill hearing on [House Bill 2279](#) next week, which was just introduced yesterday. The bill would require **groundwater management districts to submit annual written reports** to the legislature and to submit water conservation and stabilization plans to the chief state engineer

State Budget Review

Budget committees began hearing from state agencies this week. Both the House and Senate budget committees are likely to trim the state agency requested budgets. They may also look at enhancements to requests from the administration or other legislative priorities.

This week, budget reports were given from smaller agencies that receive most of their funding from licensing fees. These budgets are often not altered by the Legislature. However, legislators have expressed concern that these fee-funded agencies have high unencumbered balances, or unspent funds at the end of this fiscal year. The House and Senate will continue to evaluate these budgets.

Regents' universities and larger agencies will start making their budget presentations and requests next week. There have been no final deliberations on any agency budget yet this year.

Local Government

[Senate Bill 156](#) was introduced this week. This bill repeals statutes that prohibit, limit and otherwise restrict municipal regulation of firearms. No hearing has been scheduled.

Senate Commerce heard [Senate Bill 47](#) this week, 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. Action is expected on the bill this week.

Hearings and Bill Introductions to Note

The House Tax Committee held a hearing on [House Bill 2123](#) that would allow a **surcharge on purchases made with a credit or debit card**. Current law prohibits retailers from passing along this surcharge to customers. Business and retail groups support the legislation, which was considered by the Legislature last year but didn't pass. Opponents to the bill would like to see a cap on the surcharge and require notice to consumers. The legislation is also being heard in the Senate Tax Committee next week, [Senate Bill 104](#).

The first **medical marijuana** bill of the year was introduced late this week. [Senate Bill 135](#) would create the medical cannabis regulation act to regulate the cultivation, processing, distribution, sale, and use of medical cannabis. The 2022 Special Committee on Medical Marijuana met several times during the interim to receive information and hear testimony with the goal of introducing a new bill this year. The House passed a medical marijuana bill during the 2021 session, but the legislation died in the Senate. While one of Governor Kelly's top priorities this year, legalizing medical marijuana is unlikely to gain approval from conservative leadership in both the House and Senate.

[House Bill 2132](#) expands the eligible fields of study and establishing a maximum scholarship amount for certain private postsecondary educational institutions in the **Kansas promise scholarship act**. A hearing will be held in the House Education Committee next Tuesday.