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Kansas Legislative Report, March 6-10, 2023

As usual, the last three weeks of committee meetings are packed full of back-to-back hearings and final action on bills. Other than those that are exempt from legislative deadlines (Budget, Tax, Federal and State Affairs), committees have two more weeks to complete their work. March 24 is their last day to meet and pass any bills they want to move forward this session. After that, Legislators are mostly on the floor, then conference committees begin their work on April 3.

First adjournment of the regular session is scheduled for April 6, and Veto Session is scheduled to begin on April 26 and end on April 29.

Overall, the 2023 Kansas Legislative Session has been relatively quiet and non-controversial so far. Major tax cuts and budget spending are still on table, as these are typically the last pieces of business to close out the year.

Fairness in Women's Sports Act

The Legislature gave their final approval on the Fairness in Women's Sports legislation this week. [House Bill 2238](#) passed the Senate by a final vote of 28-11 on Thursday, sending it to the Governor's desk.

The bill would require interscholastic, intercollegiate, intramural, or club athletic teams or sports that are sponsored by public educational entities or any school or private postsecondary educational institution whose students or teams compete against a public educational entity to be expressly designated based on biological sex.

For the third year in a row, Governor Kelly is expected to veto HB 2238. The final House vote last month was 82-40, two votes shy of a veto-proof majority. Each Chamber requires a two-thirds majority vote – 27 in the Senate and 84 in the House – to override a Governor's veto.

Childcare Regulatory Reform

A large coalition of both business and healthcare interests supported a comprehensive bill this week that would significantly change the regulatory requirements for childcare facilities and care workers in Kansas. [Senate Bill 282](#) was heard in the Senate Commerce Committee on Thursday in a direct response to workforce shortages due to the difficulty in finding, affording, and retaining good childcare.

The bill would establish new training and education requirements for childcare center staff of licensed facilities, as well as general facility requirements for inspections. It would set capacity limits for day care homes and facilities based on ages of children and facility type. Childcare businesses could apply for a waiver from the requirements to the Kansas Department of Health and Environment.

Senator Chase Blasi (R-Wichita) and Senator Kristin O'Shea (R-Topeka) were instrumental in crafting the legislation. However, several opponent groups urged legislators to appoint a task force to work with the childcare community during the interim for further study and a comprehensive analysis of any potential reform.

ESG Investing

The Legislature debated two different proposals this week that would address environmental and social governance investing in Kansas, an issue that has gained nationwide attention in recent years.

The House Federal Institutions and Pensions Committee held a hearing on [House Bill 2436](#), which would prohibit state and local governments from showing preferential treatment for or against investments in businesses oriented with fossil-fuels, abortion, gender reassignment, or gun manufacturing. State Treasurer Steven Johnson supported HB 2436 during the hearing, while Attorney General Kris Kobach and several business and financial groups offered neutral testimony. The committee is planning to work the bill next Monday.

A less popular proposal heard by the Senate Federal and State Affairs Committee this week, [Senate Bill 224](#), would pose mandates on the private sector to prohibit working with any investment manager or firm that engages in "ideological boycotts" of businesses based on political views. Alan Conroy, with the Kansas Public Retirement System (KPERS), reported during the hearing that KPERS could see a \$3.6 billion hit if SB 224 passes. Banking institutions and the Kansas Chamber also came out in strong opposition to the bill as an unviable ESG solution for Kansas.

School Choice

A bill that would allow students to use \$5,100 of their state aid toward private school tuition jumped a large hurdle in the legislative process on Monday, when the House K-12 Education Budget Committee stripped the contents of an already passed Senate bill and inserted the school choice provision in its place.

In addition to a four-year phase in of these education savings accounts, [House Substitute for Senate Bill 83](#) would also create a task force for and appropriate \$592.7 million to special education in Kansas. It would also increase salaries for all school district licensed teachers, estimated to be roughly \$2,020 per teacher.

This "gut and go" procedural maneuver sends the bill to the House floor for approval then bypasses committee debate in the Senate.

Sales Tax Rate Reduction

The House Tax Committee heard a bill on Tuesday that would lower the overall state sales tax rate from 6.5% to 6.15% beginning on July 1, 2023. [House Bill 2318](#) is estimated to cost the state \$399 million in fiscal year 2024. The State Highway Fund would be hit with a \$65.9 million reduction. The bill would have no fiscal effect on local sales tax revenues.

The tax cut proposal is supported by the Kansas Chamber who reported during the hearing that Kansas ranks 9th highest in the country for combined sales tax rates. The Kansas Contractors Association testified as neutral on the bill, asking that the state highway fund remain whole to carry out the remaining years of IKE Transportation Plan.

Sales Tax on Food

Next week the House Taxation Committee will hold a hearing on [Senate Bill 248](#), which fully eliminates the sales tax on food on January 1, 2024, including the local portion of the sales tax. Many cities and counties have expressed concerns about the elimination of the local sales tax and its impact on local communities. In response to these concerns, Senate President Ty Masterson has introduced a bill that would create a special fund to help reimburse local cities and counties for these forgone revenues, establishes a committee to oversee the fund and eliminates the current ad valorem tax reduction fund. [Senate Bill 309](#) was referred to the Senate Ways and Means Committee and has not yet been scheduled for a hearing.

Local Preemptions

Two bills were introduced this week, at the request of the Kansas Chamber, that would preempt local government's ability to ban the sale or use of certain products. [House Bill 2446](#) would preempt cities and counties from banning plastic bags and auxiliary plastic containers and will be heard in the House Federal and State Affairs Committee on Wednesday. [House Bill 2447](#) would preempt cities and counties from banning the sale of products and services otherwise allowed by state law. This bill is in response to the City of Wichita discussing the ban of the sale of puppies within the city limits. HB 2447 will be heard in the House Commerce Committee on Monday and HB 2446 will be heard in House Federal and State Affairs on Wednesday.

Economic Development

A hearing was held this week in Senate Commerce Committee on [House Bill 2292](#) which enacts the apprenticeship tax credit act and was amended to create grants in lieu of income tax credits for nonprofits (ie. Hospitals) and education institutions to address paraprofessionals who want to become teachers. We expect action on the bill before first adjournment.

[Senate Bill 91](#) enacts film tax credit and provides for other incentives to grow the film industry in Kansas. This bill has passed the Senate and will be heard in the House Taxation Committee on Wednesday.

Transmission Charges

A bill that has stirred up heated discussions on transmission delivery charges in Kansas was significantly amended and passed out of the House Energy, Telecommunications

and Utilities Committee on Thursday after hours of negotiations among committee leaders and various stakeholders.

The original [House Bill 2225](#) was introduced by the Kansas Corporation Commission (KCC) and would have prohibited Evergy from automatically recouping costs related to any new, local transmission projects from ratepayers. They would have instead had to seek recovery through a KCC rate case hearing.

The compromise language lowers the return on equity on local projects and provides the KCC more oversight on how transmission delivery charges are imposed on consumers. The proposal is estimated to save almost \$11 million for Kansas ratepayers, which is roughly between 30 and 45 cents/month cut from electric bills. HB 2225 does not apply to transmission building directed by the Southwest Power Pool or the Federal Energy Regulatory Commission.

State Budget Review

There was a lot of movement in the budget committees this week, as both House and Senate appropriators begin to stake out their negotiating positions on the first [big budget bill](#) of the year.

The House Appropriations Committee started the week by reversing the recommendations made by the House Social Services Budget Subcommittee for the Kansas Department of Aging and Disability Services. The subcommittee recommended over \$500 million in spending over the Governor's recommendations for programs dealing with mental health, state hospitals, and reducing the waiting list for services provided to disabled communities. The full committee voted to delay these increases and reconsider them at the end of the year when tax revenues are received, and tax cut bills start to move.

The Senate Ways and Means Committee took an alternative route this week. Trying to get ahead of the House by establishing their bargaining positions sooner, they looked at other big-ticket items, including a contribution to the state's Rainy-Day Fund. Senate Republican leadership is using this strategy for more negotiating power with the House.

The House should finish their agency budgets likely next week, with hopes that the first budget bill of the year could be completed by the end of March.

Notable Hearings Next Week

[House Bill 2326](#) extends the sunset of the scrap metal theft reduction program and will be heard in the Senate Judiciary Committee on Tuesday.

[House Bill 2279](#) requires annual GMD reporting and will be heard in the Senate Agriculture Committee on Tuesday and Wednesday.

[Senate Bill 8](#) waives the filing penalty for misclassification of personal property and will be heard in the House Tax Committee on Wednesday.

[Senate Bill 34](#) expands rural housing incentive districts and will be heard in the House Financial Institutions and Pensions Committee on Wednesday.

[House Bill 2019](#) allows TNC drivers to be classified as independent contractors and will be heard in the Senate Transportation Committee on Wednesday.

[Senate Bill 135](#) legalizes medical marijuana and will be heard in the Senate Federal and State Affairs Committee on Wednesday and Thursday.

[House Bill 2302](#) earmarks 1.2% of the state sales tax for State Water Plan funding and will be heard in the Senate Agriculture Committee on Wednesday and Thursday.

[Senate Bill 263](#) requires property valuation guides be published in rules and regulations and will be heard in the Senate Tax Committee on Thursday.