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Kansas Legislative Report, March 25-29, 2024

It was a quick but full week in the Kansas Legislature. The House and Senate spent Monday through Wednesday debating and passing over 100 bills. Thursday was technically the last day for all non-exempt bills to be considered in either chamber, but most Legislators were on their way home by Wednesday evening.

This week's work clears the path for conference committees to meet next week. This is where negotiators from both the House and Senate iron out differences in any remaining bills. Conference Committee bills can only be amended by the conference committee and when they come to the floor it is an up or down vote. First adjournment is scheduled for next Friday, April 5, with Veto Session beginning on April 29.

While there was no action on the budget this week other than the conference committee meeting to review each chambers' budget, members are ready to begin meeting on Monday with plans to come to an agreement before first adjournment. This signals that lawmakers intend to keep the Veto Session short and (hopefully) sweet.

House, Senate Gridlock on Tax Cuts

Late Tuesday night, the House debated and amended their tax cut bill, [House Substitute for Senate Bill 300](#). Wednesday morning, they voted unanimously 123-0 to send it over to the Senate for consideration. That afternoon, Senate President Ty Masterson (R-Andover) declared the bill "materially altered" and sent it to the Tax Committee. This procedural motion can only be overturned with a two-thirds majority vote.

It is a battle between a single and dual income tax rate. The Senate passed their [tax cut bill](#) earlier in the month with a supermajority, that instituted a single 5.7% rate on all taxpayers for the current tax year, then gradually decrease each year until it reaches 5.4% starting in 2029. The House plan proposes two new tax brackets, which Governor Kelly is more likely to support over the single rate forwarded by the Senate. The top tier would drop from the current 5.7% to 5.65% and the smaller bracket from 5.25% to 5.2%. It would eliminate the bottom rate of 3.1%. It also has a smaller fiscal note, costing roughly \$500 million less than the Senate's bill.

As of late Wednesday, both sides have dug their heels into their respective bills. It is unclear whether the Senate will try to overturn President Masterson's ruling next week

or see what the Tax Committee does to the bill. Some say that the House's bipartisan, unanimous vote on a mega tax bill is unprecedented.

Committee Narrowly Approves Tax Exemption for Data Centers

The Senate Commerce Committee by a vote of 4-3 approved an economic development incentive for data centers that want to come to Kansas. The full Senate could debate [Senate Bill 545](#), which is exempt from legislative deadlines, next week. The House Commerce Committee passed a companion House bill earlier in February.

The proposal would provide a sales tax exemption for a minimum of 30 years for the construction or remodeling of a qualified data center. The state exemption would also apply to the purchase of data center equipment, eligible data center costs, electricity, and certain labor costs. Qualified firms must commit to a minimum investment of at least \$6 million and meet new Kansas jobs and other requirements.

There was concern among some committee members whether Kansas can currently accommodate large increases of demand on the electric grid and what the needed buildout of transmission could do to their constituents' utility rates.

The bill was introduced by NetChoice, a trade association of online businesses including Amazon, Google, Yahoo, Ebay, Meta, and others. At least 20 other states offer a tax incentive to attract data centers, including Kansas' neighbors Missouri, Oklahoma, Iowa, and Nebraska.

Restrictive Medical Marijuana Proposal Tabled

On Thursday, the Senate Federal and State Affairs Committee held a hearing on a bill that is considered one of the most restrictive medical marijuana programs in the country.

[Senate Bill 555](#) would create a pilot program for limited cultivation, processing, and dispensing of medical cannabis. It would be limited to ointments and combustion-free vaporizers and exclude edibles. It would also only allow pharmacists to dispense products to patients and caregivers.

Some legislators think the bill is too narrow as it restricts the number of operators who can cultivate medical marijuana, how it can be distributed and packaged, and what requirements are needed for patients. While others on the opposite side argued a medical program would ultimately lead to the legalization of recreational marijuana.

The Kansas Bureau of Investigation, Kansas Department of Agriculture, and Kansas Medical Society came out in strong opposition to the bill during the hearing. The committee ended up tabling the issue until next year.

Foreign Land Ownership Clears the House

On Wednesday, [House Sub for Senate Bill 172](#), which blocks foreign adversaries from acquiring property near a military installation, passed the House on a of [84-39](#). The bill, known as the Kansas Land and Military Installation Protection Act, prohibits foreign principals associated with "countries of concern" from purchasing or leasing land located within a 150-mile radius of a military installation. The foreign adversaries named

in the bills are China, Cuba, North Korea, Iran, Russia, and Venezuela. The bill also designates terrorist organizations already defined by the federal government.

The bill does allow a “foreign principal” to operate in Kansas if cleared by the federal Committee on Foreign Investment in the United States. In a separate process, the state Attorney General’s Office may also make a determination. If the law is enacted, foreign principals are required to register ownership in property with the attorney general within 90 days of the purchase.

The House also passed [House Sub for Senate Bill 271](#), which bans drone purchases from adversarial countries and [House Sub for Senate Bill 37](#), which requires state divestment within 2 years in companies controlled by countries of concern. All bills will be sent to conference committees for further consideration.

School Enrollment Funding

On Tuesday, the Senate passed [Senate Bill 386](#), a compromise plan that changes school funding to benefit school districts with growing enrollment, but without impacting districts with declining enrollment. The bill allows school districts to calculate their enrollment based on the current year, the immediately preceding year, or an average of the previous two years, whichever is greater. The change is allowed for one year before the formula reverts back to using the current year enrollment or the previous year’s enrollment.

Proponents of the bill argue current law requires taxpayers to pay for students who move into a new district twice because the same student is also counted in the district it recently left. School districts with growing enrollments argue the bill affords them the opportunity to cover the additional costs due to increasing enrollment while school districts losing students prefer the current 2-year look back currently in the existing school funding formula because it gives them stability when enrollment declines.

The bill passed the Senate [33-6](#) and will likely be considered by the Education Conference Committee since it has passed one body.

Other Bills Advanced This Week

[House Bill 2446](#) passed the Senate this week on a vote of 24-13. The bill creates a preemption prohibiting local cities and counties from banning single use **plastic bags** and plastic products. The House previously approved the measure last session on a vote of 72-51. The bill passed the Senate unamended and now goes to the Governor for her signature or Veto. The Governor has previously vetoed this measure in 2022.

[Senate Bill 430](#), the compromise **workers compensation** reform bill passed the House Wednesday by a vote of 122-0. The bill increases benefit caps, which in Kansas are some of the lowest in the country. The bill also extends the amount of time an injured worker must report an injury from 20 to 30 days. Most important to the business community is the bill retains guardrails put in place during the last two comprehensive reforms in 2011 and 2013, including preservation of the prevailing factor standard that requires the work incident to be the primary factor of the claimant’s injury to be eligible

for benefits. Since the bill was not amended by the House, it now heads to the Governor who is expected to sign the bill.

[House Bill 2570](#), the **Unemployment Insurance** reform bill passed the Senate on a vote of 40-0. The bill provides rate reductions for 97% of positively balanced employers, writes off 94% or \$650 million of negatively balanced employers debt, indexes the taxable wage base based on the state average annual wage beginning 2026, codifies eight weeks of temporary benefits except for highway contractors who will receive 16 weeks, allows employers to submit notice to KDOL for cross-checking job seekers who do not show for scheduled job interviews (ghosting), extends sunset date for the Modernization Committee through 2026, and allows certain school bus drivers to participate in work share agreements. The bill was amended by the Senate Commerce Committee and will now be considered by a Conference Committee.

[House Bill 2648](#) passed the Senate by a vote of 27-13 on Wednesday and now heads to the Governor's desk. The bill gives the legislature more oversight over the promulgation of **rules and regulations** by the executive branch.

[Senate Bill 455](#), a proposed by Evergy would allow public utilities to **retain coal-fired electric generating facilities** in its rate base and to recover expenses associated with their operation. The bill sets forth certain criteria for the KCC in determining whether operating the fossil fuel plant is necessary for capacity and reliability purposes only. The bill passed the House on a vote of [107-16](#) and will now go to a Conference Committee.

The House passed [House Sub for Senate Bill 96](#), the **childcare reform** bill from last sessions that streamlines child care services and narrowed regulations. Provisions of [House Bill 2785](#), the Governors child care reform bill, were also adopted into the bill. A compromise was reached, and a floor amendment adopted left the oversight and administration of children with the Kansas Department of Health and Environment instead of the Department of Commerce, which was the version that left the House Commerce Committee. The bill will now go to the Conference Committee to work out the difference in the versions of the bills.

Kansas Microbreweries bill, [Senate Sub for HB 2124](#), passed the Senate on a vote of 38-2. The bill allows microbreweries the right for direct sales. The bill now goes to a Conference Committee for discussion on the changes made by the Senate Federal and State Affairs Committee, which represent a compromise reached by both microbrewers and distributors.

[Senate Bill 467](#) passed the House on a vote of 117-16 and expands the **Kansas Tourism Council** to include representatives from the National Independent Venue Association, the Kansas Museum Association, and the Kansas Sampler Foundation. The bill also reduces the minimum amount of state tourism promotion matching grant moneys required to be dispersed to public or non-profit entities from 75% to 50%. Finally, the bill removes the restriction against more than 20% of the amount of monies granted to for profit or public non-profit entities being awarded to one entity. The enactment date was amended by the House Commerce Committee, so the bill is headed to Conference.