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## **Kansas Legislative Report, March 17-21, 2024**

*It was a full week in the Kansas Legislature with floor debate and action on over 140 bills. Tuesday was the last day for committees to meet and finish their work for the year, and Friday was the deadline for passage of all non-exempt bills.*

*This week's work clears the path for conference committees next week. This is when negotiators from both the House and Senate iron out differences in any remaining bills. First adjournment is scheduled for next Friday, March 28, followed by almost a 2-week break before the Veto Session begins on April 10.*

### **Senate Establishes Budget Position**

The Senate on Tuesday set the stage for a contentious conference committee with the House when they approved a \$10.58 billion state general fund budget for fiscal year 2026. The House approved their \$10.57 billion state budget in February.

Despite the slightly higher price tag, [Senate Substitute for House Bill 2007](#) implements a 3% across-the-board reduction in state spending compared to the House's 1.5% cut. The Senate also notably reduced funding to the required *Gannon* court case funding levels which excluded any additional funding for special education, versus the House's version that has \$10 million appropriated for special education.

While the Senate's budget does include \$36.7 million for state employee raises, it also includes controversial provisions requiring all executive branch employees to return to in-office work and withholds \$4 million from the Governor's office and Department of Administration until they certify elimination of all diversity, equity and inclusion programs.

[Click here](#) to see the differences between the House and Senate budgets going into negotiations next week.

### **Judicial Selection Constitutional Amendment Goes to Voters**

The Kansas Legislature passed [Senate Concurrent Resolution 1611](#) on Wednesday, a constitutional amendment that will let voters decide whether to fundamentally change the way Kansas Supreme Court justices are selected. The House approved the

measure with the 84 votes which meets the 2/3rds needed, following earlier Senate passage with the 27 votes also meeting the 2/3rds required.

The amendment, which will appear on the August 2026 primary ballot, would switch from the current, 66-year-old, merit-based nominating commission system to direct election of judges. Republicans have been pushing for the change for years, but the issue became more divisive after the Kansas Supreme Court ruled in 2019 that abortion is a state constitutional right.

### **House, Senate Hold Firm on Competing Property Tax Proposals**

The Senate Tax Committee on Monday maneuvered a “gut and go” procedure that replaced the House’s property tax constitutional amendment with the Senate’s language instead. This tactic doubles down on their position going into conference committee negotiations next week.

The Senate passed [Senate Concurrent Resolution 1603](#) in February, which proposes an amendment to the Kansas Constitution capping annual property valuation increases to 3%. The House overwhelmingly passed its own version, [House Concurrent Resolution 5011](#) earlier this month that would limit increases to a rolling average of property values statewide.

A fundamental difference between the approaches highlights competing philosophies on property tax relief. The 3% cap would apply even when properties change ownership, while the House version aims to “smooth out” valuation spikes through a rolling average system.

### **Income Tax Cuts Still on Table**

While the Legislature has struggled this year to find real solutions for their constituents’ rising property taxes, leaders are simultaneously looking at providing relief through income tax cuts as well.

Similar bills in the House and Senate both cleared this week and are headed to a tax conference committee next week. [Senate Bill 259](#) and [House Bill 2318](#) propose a mechanism to trigger future income tax reductions as state revenues exceed inflation. This would ultimately bring the state to a single rate of 4% in the House bill or 4.5% in the Senate bill for both personal and corporate income taxes.

Moving Kansas to a single income tax rate has been a point of contention between the Legislature and the Governor the past few years. If the measure is included in a conference committee report next week, and makes it to Governor Kelly’s desk, a veto is expected.

### **Speaker Pro Tem’s Sales Tax Exemption Elimination**

House Speaker Pro Tem Blake Carpenter presented a constitutional amendment, [House Concurrent Resolution 5014](#), to the House Tax Committee on Monday that would

establish a "Freedom from Taxes Fund" designed to eventually eliminate state property taxes and income taxes through a sovereign wealth fund model inspired by Norway. The proposal would create a Kansas Citizens Freedom Review Board to evaluate sales tax exemptions (currently totaling nearly \$9 billion) every five years, with eliminated exemptions feeding the investment fund that would phase out property taxes within seven years.

While several representatives expressed interest in the innovative approach that would not shift tax burdens to other sources, questions were raised about implementation details, recession safeguards, local government impacts, and investment parameters if the amendment passes. Monday's presentation was an informational hearing only, but the bill could see traction next session.

### **E-Verify Mandate Stalls**

Attorney General Kris Kobach's legislation requiring Kansas employers to use the federal E-Verify system to confirm employee work eligibility was effectively killed Monday. The Senate Federal and State Affairs Committee narrowly voted [Senate Bill 196](#) down, despite attempts to narrow its scope to just government employers.

The defeat represents a significant win for the Kansas Business Coalition for Immigration Reform, which includes more than two dozen business groups who strongly opposed the measure. Kobach, who had unsuccessfully pushed similar legislation during his tenure as Secretary of State, argued the bill would address immigration law enforcement problems and protect lawful workers, while opponents countered that federal I-9 requirements already address employment verification and pointed to documented deficiencies in the E-Verify system itself.

### **Senate Approves Change to Federal Discount Drug Program**

The Senate advanced a bill on Thursday that would prohibit limitations on acquiring drugs through the federal 340B discount program and expand who can purchase prescription drugs at discounted prices. What has become a controversial issue across the country, [Senate Bill 284](#) has been strongly advocated by Kansas hospitals, pharmacies, and community health clinics all over the state.

Rural hospitals argue that manufacturers are undermining rural healthcare by restricting these contracts, forcing patients to travel long distances for medications.

Pharmaceutical companies counter that the program has grown from 8,100 provider sites in 2000 to 50,000 by 2020, with discounted purchases reaching \$44 billion in 2021 – data they claim shows the program benefits hospitals over patients.

The Senate Financial Institutions and Insurance Committee moved quickly and kicked the bill out on Tuesday, despite several committee members' concerns over current litigation in other states. House leadership has consistently expressed strong opposition to the bill, but the legislation does remain alive for next session.

### **Date Center Incentives**

On Thursday, the House had on general orders [Senate Bill 51](#), which offers substantial sales tax exemptions to data centers that invest at least \$250 million and employ 20 people. The Department of Commerce reports 14 potential data center projects in their pipeline, representing over \$15 billion in possible investment in Kansas. The bill was on House General Orders, but because of concerns with the proposed sales tax exemptions, the bill was sent back to the House Taxation Committee for additional discussion.

### **Sports Tourism Grant Program**

The House Commerce Committee amended [House Bill 2346](#) this week which establishes the Kansas sports tourism grant program to be administered by the Secretary of Commerce to provide grants to assist communities in developing and continuing sporting events. The committee capped the fund at \$1.5 million and requires a dollar-for-dollar local match. It is unclear if the bill will advance this session.

### **STAR Bonds**

Last week, the House Commerce committee worked [Senate Bill 197](#) STAR bonds, which authorizes redevelopment of certain mall facilities, requiring quarterly visitor data reporting & public disclosure of project details within 90 days of approval of the project, prohibiting the use of state general fund moneys for the repayment of STAR bonds and the use of eminent domain for property acquisition and extending the expiration date of the STAR bonds financing act to July 1, 2028. This bill was initially scheduled for House General Orders debate on Thursday but was passed over by the body and can be debated next week.

### **Public Funds**

On Thursday, the Senate passed [House Bill 2152](#) the local investment public funds bill on a vote of 40-0. The bill proposes to make changes to how the state and local units of government invest their idle funds. The bill now goes back to the House who will either assign a conference committee or since it is an agreed upon bill may send it to the Governor.

### **Child Care**

The House Commerce Committee passed [House Bill 2294](#) on Monday. The bill reduces certain license fees and training requirements for staff of childcare centers, creates a process for day care facility licensees to apply for a temporary waiver and transfer childcare programs to the Kansas Office of Early Childhood. The Governor's Office as well as many business groups and childcare organizations supported the bill because the provisions would expand access to affordable, high-quality care while supporting both families and providers. On Thursday, the full House passed the bill 103-15. It is expected the bill will be referred to a conference committee next week.

### **Local Economic Development Incentive Reporting**

The Senate passed [House Bill 2304](#) on a vote of 28-12. The bill requires local governments to report certain local economic development incentive program information to the Secretary of Commerce.

### **Third-Party Litigation**

The House passed [Senate Bill 54](#) on a vote of 87-31. The bill limits discovery and disclosure of third-party litigation funding agreements and requiring reporting of such agreements to the judicial council for study. The bill will likely be referred to a conference committee.

### **No-Impact Home-Based Business**

The Senate Commerce Committee failed to advance [House Bill 2343](#) which creates the no-impact home-based business fairness act, supporting the development and growth of such businesses by limiting the regulatory power of municipalities. Since the bill has passed one body, it may be considered in a conference committee report.

### **Occupational Licensing**

Significant amendments were offered to [Senate Bill 229](#) in the Senate Commerce Committee and the bill passed the full Senate on a vote of 31-9. The bill now requires the Secretary of State to review the implementation of any new occupational licensing requirements. The Senate passed the amended bill this week. Since the bill has passed one body, it can be considered by a conference committee.

### **Foreign Principals and Drone Parts**

Both the Senate and House have passed [Senate Bill 9](#) which prohibits foreign principals from acquiring interests in real estate in proximity to military installations. The bill also prohibits state agencies and local governments from purchasing drones or critical components of drones from foreign principals or that are manufactured in countries of concern and foreign principals from receiving benefits from economic development programs. The bill is now in a conference committee.

### **Other Bills Advanced This Week**

*Here are some of the bills on which we have previously reported that received House or Senate approval this week:*

[House Bill 2119](#), which provides a reduced **Low Income Housing Tax Credit (LIHTC)** was worked by the Senate Commerce Committee and amended to retain only the 9% credit and reduces the out-year costs. The bill is on Senate General orders.

[House Bill 2037](#), which increases the **membership of the council on travel and tourism** and equalizes the allocation of funds from the matching grant program for the promotion of tourism for private, public, and nonprofit entities, passed the Senate

Wednesday. It was amended to remove the requirement that 75 percent of grants made under the Program be allocated to public or not-for-profit entities.

[House Bill 2022](#), which amends the definition of “**special election**” in election law and specify the timing of elections required for the issuance of bonds in municipalities and makes conforming amendments to other provisions of election law concerning special elections was debated by the Senate. During floor debate the bill was amended by Senator Doug Shane, Louisburg-R, to specify that elections required for the issuance of municipal bonds, including those for school districts, would be called and held on the date of the next primary or general election, and to allow for certain exceptions to this provision

[House Bill 2291](#) passed the Senate on Wednesday by a vote of 31-9 and create the regulatory relief division under the purview of the attorney general and establish a **regulatory sandbox** program to waive or suspend rules and regulations for program participants.

[Senate Bill 44](#) passed the House on Thursday by a vote of 77-41 and would expand the postsecondary educational institutions eligible to participate in the **Kansas promise scholarship program**.

[House Bill 2107](#) passed the Senate on Tuesday by a vote of 36-2 and would establish various protections in **wildfire-related claims against a public electric utility**, including capping the recovery of both punitive and non-economic damages.

[House Bill 2336](#) House the Thursday by a vote of 109-9 and would give corporations and financial institutions doing business in Kansas a three-year phase in before moving them to a **single sales factor** or receipts factor apportionment for income tax purposes.

[House Bill 2109](#) passed the Senate on Thursday by a vote of 29-9 and would require public utilities to enter into **pole attachment agreements** when requested by law enforcement to install video equipment in the public right-of-way.