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March 16, 2018

The 10th week of the 2018 Kansas Legislative Session saw limited action. Legislators are awaiting the release of the K-12 School Finance Study scheduled for review this afternoon. The study's release has been anticipated all session and its findings will determine the remainder of the session. Expect a follow up report once the details of that study become public.

SOS Race

The race to replace Secretary of State Kris Kobach, a candidate for Governor in the GOP primary, grew this week as Representative Keith Esau, Olathe-R, officially filed for the office. Representative Esau has been unofficially in the race for several months but made it official when he filed. He joins Republican Party Chair Kelly Arnold and Speaker Pro-tem Scott Schwab as candidates in the race for the position.

Budget Committees

There has been more activity in the budget committees this week as we near the end of the month. Both House and Senate budget committees have put off discussing school finance for now but will take it up soon.

Big expenditure items like Medicaid and higher education have taken up much of the committee's time this week. The House Appropriations Committee spent two days discussing several issues and programs that use Medicaid funding, for both FY 2018 and 2019. Mental health issues continue to be a focal point. The operations of the state hospitals, regional mental health crisis centers, and treatment for gambling addiction were all discussed.

The Senate Ways and Means committee considered many of the same items. The principle difference being how much funding is used, which begins the set up to budget negotiations. Both houses are being more public about their intentions for different budgets as tools for negotiations.

The Senate Ways and Means Committee added a proviso yesterday that would continue the procurement process for the KanCare RFP but scale the RFP back to the current KanCare 1.0 program. This would allow for additional time to review and develop a new KanCare program but also allow for competitive bidding of the current program.

Higher education came into focus in the Senate committee. They are supportive of the

Board of Regents request to make up for past across the board cuts to state universities, community, and technical colleges. The Senators also heard from representatives of the aircraft industry in Wichita about the need to fund NIAR, NCAT, and other workforce development tools. Businesses stressed the need for training workers to compete with other areas of the country for manufacturing jobs.

On other budget issues, the State Fair could be a point of negotiations. The Senate made a point of not matching the House action on the Fair so there could be further discussion about construction and other issues.

The new software system for vehicle registration will also likely be discussed during budget talks. New license plates that are digitally printed could be a part of that discussion, too.

Both committees hope to complete much of their initial work early next week, allowing time for discussion of a school finance report.

Taxes

This week the House Taxation Committee heard several bills proposed by Rep. Hodge from Wichita. The two bills that will most likely see action deal with federal tax reform. In the federal tax reform package, the standard deduction was doubled so many more taxpayers are likely to claim it and less taxpayers would have itemized on their tax filings. In Kansas, tax law states that if you claim the standard deduction at the federal level, you must claim it at the state as well. This requirement would have the effect of increasing the Kansas taxable income and it is estimated to bring in an additional \$100 million to the state. To deal with this issue and to allow Kansans to fully take advantage of federal tax reform, two bills were proposed and heard this week. The first would double the Kansas standard deduction. The second would allow a Kansas taxpayer to itemize even if they claim the federal standard deduction. We anticipate some action on this issue before session concludes.

Tobacco Tax

On Thursday, the House Tax Committee held a hearing on HB 2231, a tobacco tax carryover bill from the 2017 session. The bill proposes to increase the tax on cigarettes by \$1.50 a pack, with a corresponding increase in OTP (Other Tobacco Products) from 10% to 65%. The OTP tax has not been raised since its inception in 1972 and applies to such products as cigars, chew, and pipe tobacco.

Proponents offered information on the health benefits, impact usage has on workplace productivity and employer health care cost as well as industry targeting low income and minority population disproportionately. Opponents offered the tax increases will hurt small businesses and product retailers, particularly along the borders where the surrounding states (Missouri) charge a lower tax on tobacco products.

Estimates indicate HB 2231 could raise \$80-100 million dollars if passed with drafted. After last year's significant tax increase, the tobacco tax is likely the only tax that would be considered this session if more money is needed to fund schools and proponents are hopeful the measure gains popularity after the K-12 study is released today.

Workers Compensation

Senate Commerce amended and passed out a compromise workers compensation bill, brought by Senator Holland, into HB 2184, a 2017 carryover bill originally addressing the Star bond financing sunset date. As amended, the bill increases the initial death benefit payments paid to spouses and dependents from \$40,000 to \$60,000. The bill extends payments to dependent children thru age 23 if enrolled full-time in post-secondary program. Initial lump sum payments made when there are no dependents increase from \$25,000 to \$100,000, but if the employer procured a life insurance policy in an amount not less than \$50,000, then the benefit paid to the heirs would be reduced by the amount of the life insurance, up to \$100,000. Finally, the maximum amount paid by the employer for burial expenses would increase from \$5,000 to \$10,000 and if a court-appointed conservator is necessary, the maximum costs paid by an employer would increase from \$1,000 to \$2,500.

Law Enforcement

The three major law enforcement measures passed out of committee this week. Asset forfeiture, body cameras and swatting all are likely to be worked on the Senate floor before first adjournment. The asset forfeiture bill reflects a compromise reached at the Judicial Council this summer and requires additional reporting by offices that seize property. The body camera bill defines “heir at law” and requires release within 20 days. All other body camera issues will be sent to the Judicial Council this summer. Finally, the swatting bill increases the penalties for intentionally calling in a false alarm to address a situation that happened in Wichita last year. We expect all three bills to be worked in the next few weeks.

Broadband

Legislators in both chambers have been working to put together a task force charged with developing an approach for defining and evaluating the broadband needs of Kansas citizens, business, industries, institutions, and organizations, especially in rural Kansas. The Senate Commerce Committee worked and passed out HB 2701 Thursday after significant discussion on the make-up of task force membership. The Senate committee decreased task force membership from 17 to 16. The bill will now be sent to the full Senate for debate.

Utilities

The Senate Commerce Committee also passed out SCR 1612, a resolution that states the need for regionally competitive electric service rates and urges the Kansas Corporation Commission to reduce and maintain current rates in the state. This resolution was supported by more than 30 senators.

Next Week

Following the release of the long-awaited K-12 School Finance Study the 2018 Legislature should finally begin working on the biggest issue of the session and address the Supreme Court decision regarding school funding and work to meet the Court’s April 30th deadline and avoid school closures. Next week will begin to unfold the pathway for getting out of the 2018 session and onto the 2018 fall election.