

NEWSLETTERS



KANSAS LEGISLATIVE INSIGHTS NEWSLETTER | MARCH 22, 2024

TWO WEEKS TO FIRST ADJOURNMENT

This week, House and Senate Committees completed deliberations on non-exempt bills. Next Thursday, March 28, is the deadline for non-exempt bills to be considered in the second House. Next week, legislators will be on the floor, and the committees will be on the call of the chair. There will continue to be conference committee meetings to resolve differences on legislation between the chambers. The first adjournment is scheduled for April 5. In week 10, we witnessed two major developments: one on the budget front and the other on taxes. Both are positive developments on contentious issues that have delayed final adjournment in the past. Monday, the House tax committee introduced a new tax package that has two income tax brackets. The House tax plan is less expensive than the Senate tax plan. Many of the tax cuts are phased in over several years. This may provide the flexibility and framework for an eventual compromise tax bill between both chambers and the governor. Tuesday, the House had a nearly three-hour budget debate on Sub HB 2273. Wednesday, the \$25.1 billion House budget package was approved by a 91-32 vote. This allows negotiations to begin between the House and Senate on the budget differences between the chambers. Ironically, the price tag for both chambers' budget proposals is \$25.1 billion. The conference committee will be negotiating hundreds of minor, and in a few instances major (which will be discussed below), differences between the House and Senate.

Wednesday, Medicaid expansion hearings were heard in House and Senate Committees with hundreds of letters in support of expansion. Thursday, a motion to send Medicaid expansion to the House without recommendation was offered in the House Health and Human Services Committee. It failed along party lines with five Democrats in favor and 12 Republicans opposed. With the regular session winding down, time constraints and Republican opposition make further consideration unlikely this session.

HOUSE AND SENATE BUDGET OVERVIEWS

The Kansas Senate and House have both passed a \$25.1 billion budget for 2025. Despite slight differences in their approaches, both have made thoughtful decisions on where to allocate funds, balancing the need to invest in priority areas while keeping the state's finances healthy. The Senate's version of the budget focuses on increasing

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security at the border, starting a new program at the Lansing Correctional Facility, and setting up a new dispatch center and firing range for the Kansas Highway Patrol. There are numerous other policy issues in the Senate budget. On the other side, the House has an emphasis on healthcare, particularly on increasing Medicaid reimbursement rates for medical providers rather than expanding Medicaid. This decision shifts focus toward improving payments to healthcare providers. The House budget also follows the governor's plan for school funding; however, it will be in a separate education-focused appropriation bill. The House also adds health benefits for state employees. Despite the shared goal of managing the state's budget wisely, there were disagreements and compromises in each chamber. For example, in the Senate, there was a significant debate about spending \$28 million to host the 2026 World Cup, with some lawmakers wanting to allocate the money for other state needs. The Senate debate shows the complexity of making budget decisions, as lawmakers try to balance different priorities and interests. During the next two weeks, a Senate and House conference committee will be negotiating the differences between their versions of the budget. Linked you will find detailed summaries of the House and Senate versions prior to any additional amendments during the floor debate. This summary does not include any additional amendments which will be offered during the floor debate. A budget agreement is essential before April 5 to allow the governor to review the budget and consider line-item vetoes. This gives the Legislature the opportunity to override potential vetoes when members return in April for the veto session.

HOUSE TAX PROPOSAL FAST-TRACKED

The new House tax plan is set forth in HB 2844 with two income tax brackets. It was introduced on Monday and heard by the House Taxation Committee on Wednesday afternoon. During the hearing, the new compromise plan had support from powerful business organizations, including the Kansas Chamber, Kansas Policy Institute, Kansas Farm Bureau, and the Kansas Livestock Association. Thursday afternoon, the House Tax Committee inserted the contents of HB 2844 into SB 300. There were several amendments offered but all failed. A motion by Rep. Ken Corbet, R-Topeka, to eliminate income tax on Social Security now rather than phase it out failed 10-12.

As introduced, HB 2844 increases the standard deduction to \$3,605 for single taxpayers and \$8,240 for married filing jointly. The bill increases the standard deduction by the IRS cost-of-living adjustment for tax years 2025 and 2026. The personal exemption is increased slightly to \$2,320. In tax years 2025 and 2026, it would increase by the cost of living. The cost-of-living adjustment is only for those two years with the Legislature reviewing after two years.

Under the bill there are two new income tax brackets: 5.2 percent for income between \$7,000 and \$30,000 and 5.65 percent for income \$30,000 and over. The House bill exempts Social Security benefits from Kansas income taxes if the taxpayers receive \$75,000 or less. It gradually exempts all Social Security benefits from Kansas individual income tax by 2027. The privilege tax rate for banks is reduced from 2.25% to 1.63%.

The bill sets the statewide mill rate to fund public education at 18-mills for 2024-25 and 2025-26. The bill removes specific references to 20-mills under current law. Under current law, \$42,049 of a residential property's appraised valuation is exempt from the state's 20-mill property tax for public schools in tax year 2023. The bill would increase the exemption to \$80,000 beginning in tax year 2024 and would allow for future exemption increases based on the 10-year average change in residential property values beginning in tax year 2025. Money for education will come from the state general fund.

SENATE AND HOUSE COMMITTEE UPDATE

This was the last week for committees to meet and consider non-exempt bills. Committees were extremely busy completing their work. The Senate Assessment and Tax Committee heard SB 546, decreasing the corporate income tax rate, discontinuing tax credits of the High-Performance Incentive Program and payroll withholding tax benefits of the Promoting Employment Across Kansas Act, and repealing certain unused tax credits. The committee

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also heard SB 494, enacting the Adoption Savings Account Act, allowing individuals to establish adoption savings accounts with certain financial institutions; providing eligible expenses, requirements, and restrictions for such accounts; and establishing addition and subtraction modifications for contributions to such accounts under the Kansas Income Tax Act.

The House Federal and State Affairs Committee had a busy week with hearings on SB 347, creating a new Kansas Wildlife and Park Commission, and HB 2808, creating a crime of causing harm to a public transportation employee (referees and umpires for sports events were added). The House Federal and State Affairs Committee also considered two abortion measures. The Committee approved HB 2813, creating the crime of coercion to obtain an abortion and providing enhanced criminal penalties for those offenses with the intent to coerce a woman to obtain an abortion. The Senate Federal and State Affairs Committee also heard SB 527 on the crime of coercion to obtain an abortion. HB 2653 would amend the law regarding child support guidelines established by the Kansas Supreme Court to require the guidelines to include unborn children.

The Senate Commerce Committee heard SB 545, providing a sales tax exemption for the construction or remodeling of a qualified data center in Kansas and the purchase of data center equipment, eligible data center costs, electricity, and certain labor costs to qualified firms that commit to a minimum investment of at least \$600,000,000 and meet new Kansas jobs and other requirements.

The House Committee on Energy, Utilities and Telecommunications and the Senate Utilities Committee received reports on the innovative cost allocation methods from Southwest Power Pool's general counsel, Paul Suskie, and Kansas Corporation Commission Chairman Andrew French. These methods aim to relieve Kansas electricity consumers of excessive transmission costs. The initiatives include reallocating costs currently perceived to fall on local electric consumers to better reflect regional wind generation benefits, creating larger transmission pricing zones for fairer cost distribution, and introducing a new planning process that adjusts interconnection fees for future generators. Pending Federal Energy Regulatory Commission approval, these strategies could significantly benefit Kansas consumers by ensuring a more equitable cost share during grid expansion. You will find a link to the full slide deck [here](#).

BILL INTRODUCTIONS

COURTS, LAWS, AND REGULATIONS

HB 2843: POSTSECONDARY EDUCATION. This bill, introduced by the House Committee on Appropriations, relates to scholarship programs and would establish the Scholarship Task Force. This bill also would create the Kansas Academic Excellence Scholarship Program to replace the Kansas Ethnic Minority Scholarship Program. This bill is similar to SB 544 and has been referred to the House Committee on Higher Education Budget chaired by Rep. Steven K. Howe.

HOUSE SUB. FOR SB 287: HEALTHCARE/EDUCATION. This bill, introduced by the House Committee on Health and Human Services as HB 2793, the contents of which are the same as that contained in this House Substitute Bill, prohibits a healthcare provider from administering any drug or diagnostic test or from conducting behavioral health treatment to a minor in a school facility without parental consent. This bill has been referred to the Committee on Health and Human Services chaired by Rep. Brenda Landwehr.

TAXATION

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HB 2844: TAXATION. This bill, introduced by the House Committee on Taxation, relates to income tax, would modify tax rates for individuals, and would increase the limit to qualify for a subtraction modification for Social Security income. This bill would also increase the standard deduction and personal tax exemption and further increase by a cost-of-living adjustment. As it relates to property tax, the bill would increase the extent of exemption for residential property from the statewide school levy and would decrease the rate of ad valorem tax imposed by a school district. Finally, the bill would abolish the local Ad Valorem Tax Reduction Fund and the County and City Revenue Sharing Fund. This bill has been referred to the House Committee on Taxation chaired by Rep. Adam Smith.

UTILITIES

HOUSE SUB. FOR HB 2609: ENERGY. This bill, introduced by the House Committee on Taxation, relates to exemptions for certain electric generation facilities and would provide a property tax exemption for new electric generation facilities and new pollution control devices and additions constructed or installed at electric generation facilities after Jan. 1, 2025. This bill does not apply to generation facilities that convert renewable energy sources to electricity. Under the bill, renewable energy generation facilities would continue to be eligible for property tax exemptions under existing law. This bill, originally referred to the House Committee on Taxation chaired by Rep. Adam Smith, has been recommended for passage and is now on General Orders.

HEALTHCARE AND INSURANCE

SB 553: INSURANCE. This bill, introduced by the Senate Committee on Federal and State Affairs, would permit a health insurance plan sponsor to authorize electronic delivery of plan documents and identification cards for certain insured individuals covered by a health benefit plan. This bill has been referred to the Senate Committee on Financial Institutions and Insurance chaired by Sen. Jeff Longbine.

SB 555: HEALTHCARE/MEDICAL MARIJUANA. This bill, introduced by the Senate Committee on Federal and State Affairs, creates the Medical Cannabis Pilot Program Act, which would authorize the Secretary of Health and Environment to enter into contracts for the limited cultivation, processing, and distribution of medical cannabis for patient use upon a physician's recommendation and would impose terms and conditions for such contracts. The bill would also establish requirements for physician certifications recommending medical cannabis use. The bill includes a levy for an excise tax on the retail sale of medical cannabis and would establish the Medical Cannabis Refund and the Medical Cannabis Research and Education Fund. Finally, the bill would create the crime of unlawful storage of medical cannabis, making exceptions for the crimes of unlawful manufacture and possession of controlled substances. This bill has been referred to the Senate Committee on Federal and State Affairs chaired by Sen. Mike Thompson.

BILL TRACKING HISTORY

A history of the bills we are tracking as of March 22, 2024, can be found [here](#).

Kansas Legislative Insights is a publication developed by the Governmental Affairs & Public Policy Law practice group of Foulston Siefkin LLP. It is designed to inform business executives, human resources and governmental relations professionals, and general counsel about current developments occurring in current Kansas legislation. Published regularly during the Kansas legislative session and periodically when the Legislature is not in session, it focuses on issues involving healthcare, insurance, public finance, taxation, financial institutions, business &

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economic development, energy, real estate & construction, environmental, agribusiness, employment, and workers compensation. Bill summaries are by necessity brief, however, for additional information on any issue before the Kansas Legislature, contact Foulston Siefkin's Governmental Affairs & Public Policy Law practice group leader, C. Edward Watson, II, at 316.291.9589 or cewatson@foulston.com. Learn more about the authors below:

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