



KANSAS LEGISLATIVE REPORT

JANUARY 18, 2019

KANSAS SESSION BEGINS

The 2019 Legislative Session is officially underway. Governor Laura Kelly was sworn into office on the capitol steps Monday morning, followed by the Inaugural Ball later that night and the State of the State address on Wednesday. Most House and Senate committees met to introduce legislation, while a handful of committees began to handle substantive business. Session intensity will pick up in the coming weeks, though there is already an effort to start moving certain legislative proposals at a fast pace.

GOVERNOR KELLY OUTLINES PRIORITIES IN ADDRESS AND BUDGET

Governor Kelly gave her first State of the State address highlighting her vision that focuses on K-12 education funding, Medicaid Expansion and protecting children. Her comments in the address coincided with her inaugural speech seeking compromise on issues. With the Republicans holding super majorities in both chambers, time will tell to what degree this can be accomplished.

GOVERNOR KELLY SIGNS ANTI-DISCRIMINATION ORDER

Governor Kelly signed a new executive order prohibiting discrimination by Kansas executive agencies, their contractors and subcontractors based on sexual identity. Governor Sebelius in 2003 signed a similar order that was later repealed by Governor Brownback.

BUDGET OVERVIEW

Governor Kelly's budget was presented to the two budget committees that appropriates for many of her initiatives with a 9% positive ending balance for the next fiscal year. The budget is for one year, except for K-12, which is two years. The two-year budget appropriates funds to satisfy the Kansas Supreme Court ruling on school finance. The budget also pays for some Medicaid Expansion, a 2.5% raise for state employees and several million toward child welfare and the Department of Corrections. The budget returns \$100 million to the State Highway Plan but continues the transfer of around \$200 million to the state general fund. Governor Kelly's plan has the transfers stopping by Fiscal Year 2023.

The budget includes amortization of KPERS and payment of the PMIB loan five years early that was made to the state general fund. The amortization of KPERS drew the most concern from Republicans. Senate President Wagle prefers to use funds to pay additional money to KPERS.

Higher education is budgeted to receive a modest increase of \$9.3 million dollars to cover the 2017 allotment of \$8.9 million and 100% tuition reimbursement for National Guard members.

In the State of the State address, Governor Kelly stated her budget does not require a tax increase. The House Appropriations Committee and Senate Ways & Means Committee will digest the proposal as they craft their own versions in February.

Link to the budget presentation: https://budget.kansas.gov/wp-content/uploads/Directors_Overview_FY2020-1-17-2019.pdf



TAX BILL RETURNS FROM 2018

A few committees hit the ground running. The Senate Assessment & Taxation Committee introduced legislation similar to a portion of the mega tax package that died in conference committee at the end of last session. The bill addresses the individual provisions of the federal tax code changes from late 2017. It allows individuals to itemize on their state return, even if they chose the standard deduction on the federal level.

The corporate decoupling issues were not in SB13. There has been concern expressed by some members of the business community including the Kansas Chamber of Commerce — to have Kansas decouple from some provisions in the federal tax code to avoid big tax increases. Among other things, decoupling from the federal tax code so the state doesn't tax income on domestically untaxed earnings and profits from foreign corporations after 1986 but before 2018. Senate President Wagle will appoint a special committee to look at both the individual itemizations and the components sought by the corporations. So, the fate of SB13 is yet to be seen.

RURAL VITALIZATION COMMITTEE

The House has added a new Committee that is Chaired by Don Hineman, known as the rural vitalization committee. Next week the Committee will hear presentations on rural demographics, rural development and challenges, and rural tourism development.

NEXT WEEK IN KANSAS

- Committees will be briefed on Transportation Task Force report
- Continued overview of education finance in education committee
- Presentation by Greater KC Chamber on Workforce Development
- EDIF (Economic Development Initiative Fund) by Dylan Dear, Managing Fiscal Analyst, KLRD
- State of Aviation in Kansas: Bob Brock, Director of UAS, Director of Aviation, Kansas Department of Transportation

SENATE AND HOUSE CALENDARS:

http://www.kslegislature.org/li/b2019_20/chamber/documents/daily_calendar_senate_20190118094501.pdf

http://www.kslegislature.org/li/b2019_20/chamber/documents/daily_calendar_house_20190118103428.pdf

QUESTIONS?

If you have questions or need additional information, please contact me at:

Sandy Braden

President, Braden Heidner Lowe & Associates

Email: sandy@bhlandassociates.com

Office: 785-233-4512