



LEGISLATIVE REPORT



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MAY 6, 2019

OVERVIEW

The 2019 Legislative Session is in the books as legislators returned home early Sunday morning. The wrap up session, known as Veto Session, lasted just four days but proved contentious as the House made an attempt to try to convince the Senate to take up Medicaid Expansion by withholding votes for the budget. The 2019 session lasted just 79 days, building on a new two year trend to finish session in the first week of May. The Legislature will return for the official final day known as Sine Die on May 29, while the Senate may work on May 14 to address a judicial appointment. Additionally Senator Masterson pulled a constitutional amendment out of committee, which would allow the Governor to appoint the Supreme Court with confirmation, to be addressed at Sine Die. It is expected that this will be dealt with in 2020 session.

The session proved successful for both the Legislature and Governor Kelly. The school finance remedy hoped to finally satisfy the Supreme Court was passed in March and promptly signed into law by Governor Kelly. If this hope comes to fruition, it would end nearly a decade long legal battle over school finance.

BUDGET

The Consensus Estimating Group met during the break to revise the state general funds for FY2019, FY2020 and FY2021. The FY2019 estimate was decreased from the November numbers, due to the one time \$115 million payment to KPERS. The estimate for FY2019 is \$7.237 billion revenue to the state general fund. The FY 2020 estimates were increased slightly to \$7.327 billion and FY2021 decreased to \$7.267 billion.

Revenues for April 2019 came in \$81.2 million above the estimate, or 1.4% above the revised estimate, with individual, corporation income tax and financial institutions taxes being up and sales tax revenue being down by \$1.8 million. So the FY2019 numbers above will be adjusted upward.

With revenues up, the budget was easily put together in the budget conference committee. But it hit a snag when the House tried to pass it- as the moderate Republican and Democrats held it up to attempt to influence the Senate to pass Medicaid Expansion. In the end, the legislature passed a \$7.749 billion budget with an ending balance of \$550 million for FY2020. Budget expenditures are below.

Transportation

- \$166.4 million for Kansas Department of Transportation in FY2020 for highway preservation; delayed T-Works projects; bridge improvement, cost share for local partnerships; enhanced safety program; city connecting link maintenance payments and increase funding for transit, aviation, rail and bike programs.
- An additional \$50 million was added to FY2019 for local projects. The FY2019 funds would require a 25% local match.

Education

- School finance funding of \$92.7 million for state base aid per pupil in accordance with SB16 for FY2020, along with the normal funding for schools. For FY2020 the Governor's recommendation for K-12 and school KPERS was \$3.5 billion of state general funds.

Higher Education

- The request by the Board of Regents for base funding for the State Universities was \$50 million in new funds. They received around \$20.1 million in base funding and programs, along with \$4.5 million in FY2019 to cover Career and Technical Education Initiative enrollment increases; \$4 million restoration of KSU Global Food Systems; \$8.9 million restoration of FY2017 allotment and are included in the state employee 2.5% pay increases.

Other Budget Items

- All state employees were given a 2.5% pay increase. The Judicial branch and corrections were also given pay increases.
- Additional funding was added to cover caseload costs and other DCF issues.

TAX PACKAGE TO THE GOVERNOR

The Legislature passed a large tax package that addressed federal tax law changes sought since last session. The first attempt, SB 22, was vetoed by the Governor in April. The new bill, HB 2033 passed the House 83-41 and the Senate 27-13. This bill was a narrower version on the first bill, and included the following items that are not retroactive:

- Allow Kansans to continue to itemize on their state income tax return even if they don't itemize on their federal return.
- Repatriated foreign income that was taxed at a lower rate under the 2017 Federal Tax Act will not be taxed.
- Tax 5% of global intangible low-taxed income for the first year. The income would be exempt after the first year.
- Impose an internet sales tax that would be used to buy down the state sales tax on food. The formula would take increases in the retail use tax – minus 3% – and apply that to reducing the sales tax on food.
- Provide a small business tax break that would allow businesses to deduct the full amount of a capital purchase up front instead of deducting just the depreciated amount over time.
- Net operating loss extension from 10 years to 20 years.

The bill vetoed by the governor – was estimated at about \$504 million over three years. The new tax bill would cost about \$238 over three years. It remains to be seen if the Governor vetoes this bill also.

MEDICAID EXPANSION

Earlier in the week, the Senate voted down a procedural vote to consider a Medicaid Expansion bill, which passed the House last month. This fueled a coalition of House Democrats and moderate Republicans to delay passage of the budget bill hoping it would force the Senate to hold a debate on Medicaid Expansion. The exercise extended the Veto Session a full day but most assume Republicans will try to craft their own version for consideration in 2020. Senator Wagle has set aside time this summer for hearings and Senator Denning has assured publically that the Legislature will address Medicaid expansion next year.

GOVERNOR APPOINTMENTS

Governor Appointments approved this week by the Senate included Delia Garcia, Secretary of Labor and Susan Duffy, Kansas Corporation Commission.

ECONOMIC DEVELOPMENT

HB2223, the economic development transparency bill, was passed by the House and is on its way to the Governor. The bill would require analyses and reporting of economic development incentive programs by the Legislative Division of Post Audit and the Commerce Department. It also includes a provision on extending the maximum maturity on bonds issued to finance projects under the Kansas Rural Housing Incentive District Act.

QUESTIONS?

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