

**Lenexa Chamber of Commerce**  
**2017 State Legislative Agenda – *The Results!***

**TAXATION**

**Support Tax Policies That Preserve Johnson County’s Economy & Quality**

The Chamber strongly supports pursuing balanced income, sales, and property tax policies that adequately fund the state budget while preserving Johnson County’s economic competitiveness and quality of life, including maintaining competitive sales tax rates, continuing the sales tax exclusion for professional services, and revisiting the non-corporate business & farm income tax exemption.

**OUTCOME:** *Legislation (SB 30) enacting a number of primarily tax-related changes **will become law after the Governor’s veto was overridden by the House (88-31) and the Senate (27-13).** According to his veto message, the Governor opposed the bill because he believes it is a step backward from what has been done to put the state in a “pro-growth orientation” and that it will hurt Kansas families. The bill originally passed the House (69-52) and the Senate (26-14). Notable provisions in the bill include:*

- *Eliminating the exemption for non-wage pass-through income of non-corporate business entities – commonly called the LLC exemption -- retroactive to January 1, 2017, but providing a penalty-free grace period until April 2018 for estimated payers to “catch up” on any underpayments resulting from the retroactive change. Also starting in Tax Year 2017, taxpayers will again be able to claim certain non-wage business income losses in conformity with federal tax code treatment.*
- *Returning to a 3-bracket income tax system and phasing up income tax rates retroactive to January 1, 2017, although rates would still be below where they were before the 2012 tax cuts (see chart below).*
- *Phasing back in the itemized deduction for medical expenses (currently repealed, it would be allowed at 50% of the federal allowable amount in TY2018, 75% in TY2019, and 100% in TY2020 and thereafter).*
- *Phasing up the itemized deductions for mortgage interest and property taxes paid (currently both at 50% of the federal allowable amount, they would be allowed at 75% in TY2019, and 100% in TY2020 and thereafter).*
- *Phasing back in the child and dependent care tax credit (currently repealed, it would be allowed at 12.5% of the federal allowable amount in TY2018, 18.75% in TY2019, and 25% in TY2020 and thereafter, the same level it had been prior to its 2012 repeal.)*
- *Lowering the “low income exclusion” threshold, below which income tax liability is eliminated, from the current \$12,500 to \$5,000 for married filers and \$5,000 to \$2,500 for single filers.*
- *Repealing the trigger for additional automatic income tax rate cuts, based on a formula tied to annual revenue growth, known as the “glidepath to zero.”*

*The following table created by the Legislative Research Department provides additional details regarding income tax brackets/rates under prior law, current law, and the newly-approved legislation.*

**Individual Income Tax Brackets/Rates, Married Filing Jointly**

MFJ	Tax Years (TY)	Current Law	New Law	New Law
<u>Taxable Income</u>	<u>1992- 2012</u>	<u>TY2017</u>	<u>TY2017</u>	<u>TY2018 and on</u>
\$0-30,000	3.50%	2.70%	2.90%	3.10%
\$30,001- \$60,000	6.25%	4.60%	4.90%	5.25%
\$60,001 and above	6.45%	4.60%	5.20%	5.70%

*According to the Kansas Department of Revenue, the bill would be expected to increase revenue to the State General Fund (SGF) by \$591 million in FY2018, \$633 million in FY2019, \$617.4 million in FY2020, \$584.4 million in FY2021, and \$590.3 in FY 2022. A major credit rating agency, Moody’s Investor Services, revised its outlook for Kansas from negative to stable following the bill’s passage.*

*It should also be noted that House tax negotiators for the bill formally proposed repealing sales tax exemptions on certain services, none of which ultimately were included in SB 30. Services for which businesses would have had to begin charging, collecting, and remitting state/local sales tax included professional veterinary services; services related to creating custom computer software; non-residential cleaning services; mini-warehouse and self-storage; other pet care services like grooming, boarding, and pet-sitting; motor vehicle towing, investigative services; security guard and patrol services; and security system services excluding locksmiths. (See also the summary for HB 2380 below.)*

*Legislation (HB 2212) making several changes related to sales, income, and property taxes was signed into law. Notable provisions of the legislation include:*

- Increasing sales tax reporting thresholds. As of January 1, 2018, the threshold filing amounts for retailers to submit sales taxes to KDOR would increase from \$80 to \$400 for annual filing, from \$3,200 to \$4,000 for quarterly filings, from \$32,000 to \$40,000 for monthly filings, and amounts greater than \$40,000 would be filed on a prepaid monthly basis.*
- Moving up by one month, from the end of February to the end of January, the filing date when certain annual withholding income tax reports are due to KDOR, necessary to bring Kansas into compliance with federal law.*
- Authorizing a board of county commissioners to grant under limited circumstances a property tax abatement for up to 10 years for property located within a federal enclave housing a former ammunition plant – applicable only to the Sunflower Army Ammunition Plant near DeSoto and a property in Labette County. Currently these properties can only be leased to businesses (rather than sold) because of ongoing concerns over future environmental cleanup obligations, and leased property generally is not eligible for locally-granted property tax abatements.*

*Legislation (HB 2230) was signed into law that 1) tightens enforcement of provisions related to cigarette and tobacco products in order to keep Kansas in compliance with the tobacco Master Settlement Agreement used to fund children's initiatives and 2) reduces taxation of e-cigarettes from 20-cents to 5-cents. The bill does not change tax rates on cigarettes/tobacco products.*

*Different versions of legislation (HB 2235/SB 111) imposing new administrative mandates on large out-of-state retailers with no nexus to Kansas who do not collect sales/use tax, requiring them to keep records and provide notice to purchasers that sales/use tax is owed, were passed by the House and Senate but lawmakers opted not to negotiate a final compromise. Affected out-of-state retailers would be required to provide notice to purchasers that sales/use tax is owed, with each purchase as well as an annual notice when the purchaser's total annual purchases from that retailer exceed a certain threshold, and per one of the bills, also provide notice to KDOR listing all Kansas purchasers and the dollar amounts of their purchases regardless of amount.*

*Legislation (HB 2380) repealing certain sales tax exemptions as of July 1, 2017, and lowering sales tax on food by 1% on July 1, 2020, was passed by the House but not considered by the Senate. Sales tax exemptions to be repealed – meaning businesses offering these services would have to begin charging, collecting and remitting state/local sales tax – included motor vehicle towing, investigation services, security guard and patrol services, security system services (excluding locksmiths), non-residential cleaning services (including plumbing/drain cleaning and in-ground pool cleaning), pet services/daycare, mini-storage/self-storage, and collection agencies.*

*A resolution (SCR 1604) putting forth a proposed state constitutional amendment reducing the sales tax rate on food and food ingredients was considered by a Senate committee but failed to pass out of the committee favorably.*

Legislation (HB 2177) reverting sales tax sourcing for retailers from destination-based back to origin-based **received a hearing in a House committee but did not advance.**

Legislation (HB 2032) to increase fees on residential and industrial water usage to help pay for the State Water Plan **received a hearing in a House committee but did not advance.**

Legislation (HB 2382) to increase the state motor fuels tax by 11-cents to help fund the state transportation system **received a hearing in a House committee but did not advance.** A scaled back proposal was later considered by House & Senate tax negotiators but ultimately rejected.

### **Retain Flexible Revenue & Spending Authority**

The Chamber opposes the imposition of state or local tax and spending lids and other unreasonably burdensome mandates for reporting and approving tax or budget measures and supports repeal of the mandated public vote on utilization of increased local property tax revenues.

**OUTCOME:** Legislation (HB 2424) adding an exemption to the local property tax lid for certain employee benefits was **approved by a House committee but not considered by the full House.**

Legislation (HB 2376) revising the local government tax lid public vote requirement to instead be subject to protest petition **received a hearing in a House committee but did not advance.** The tax lid requires cities and counties to reduce mill levies proportionate to any increase in assessed valuation over the previous year that is greater than inflation (not including valuation increases attributable to new construction, new territory/annexation, new property uses, or personal property) unless a resolution approving the increase is passed by a public vote.

Legislation (SB 167) repealing the local property tax lid public vote requirement **received a hearing in a Senate committee but did not advance.**

## **EDUCATION**

### **Support K-12 Public Education Funding Fair to Johnson County**

The Chamber supports a new K-12 education funding framework that treats Johnson County schools and taxpayers fairly, maximizes fiscal resources by better correlating district funding to actual operational costs, encourages administrative consolidation, rewards efficiency and outcomes, and respects local control over funding, spending, and curriculum choices.

To help ensure access and quality for all students, the Chamber also opposes programs that divert public funds, directly or indirectly, to private alternatives not subject to the same mandates, regulations, and accountability requirements governing public schools.

**OUTCOME:** Legislation (SB 19) approving a new K-12 education funding framework and adding roughly \$490 million in new money to K-12 over two years was **signed into law and submitted to the Kansas Supreme Court for review.** The plan adds about \$195 million in new K-12 funding for school year 2017-18 and almost \$100 million on top of that in school year 2018-19, so cumulatively \$195 million + \$295 million = approximately \$490 million in new funding over the upcoming two years.

The Kansas Supreme Court had previously given lawmakers until June 30 to approve a new framework that meets constitutional muster in terms of funding adequacy (whether the amount of funding overall is enough for districts to provide every student a reasonable opportunity to master certain specified competencies) as well as funding equity (whether financial resources are fairly distributed among districts to provide all students reasonably similar opportunity to master those competencies for reasonably similar local tax burden.). The Court has announced it will allow the framework approved by lawmakers in SB 19 to take effect on July 1 and remain so until the Court conducts its review and issues a final ruling, avoiding a statewide school shutdown. The Court has scheduled oral arguments on the funding plan for July 18.

According to the Kansas Department of Education, school districts in Lenexa would see state aid funding increases in the 2017-18 school year in DeSoto of about \$2.6 million, Olathe about \$9.7 million, and Shawnee Mission about \$11.2 million. Other Johnson County school districts would see state aid funding increases in the 2017-18 school year in Blue Valley of about \$7.8 million, Gardner about \$2.6 million, and Spring Hill about \$3.2 million.

Notable provisions of the bill include:

- Increasing base state aid to \$4,006/pupil for 2017-18 (FY2018) and \$4,128/pupil for 2018-19 (FY2019), followed by annual increases tied to a three-year rolling average of inflation beginning in FY2020.
- Continuing to allow Local Option Budget authority of up to 33% of base aid, subject to protest petition for authority over 30%.
- Maintaining supplementary weightings similar to the old formula, including the “cost of living” weighting important to Johnson County, with some exceptions such as:
  - Increasing at-risk weighting to 0.484 (up from 0.456), and specifying all at-risk funds must be spent on at-risk kids using at-risk “best practices” programs and services as identified by the State Board of Education (State Board or SBOE).
  - Continuing to allow “high density at-risk” weighting as under previous law, except it could now be applied to individual school buildings in districts that may not otherwise qualify. This weighting will expire on July 1, 2019, unless it is renewed.
  - Requiring the Kansas Department of Education (KSDE) to do a cost study of career & technical education (CTE) programs and make recommendations to the legislature by January 2018. The CTE weighting will expire July 1, 2019, unless it is renewed.
  - Phasing out declining enrollment weighting after FY2018.
- Funding optional all-day kindergarten and increasing state aid for four-year-old at-risk programs.
- Adding additional special education funding.
- Phasing down funding for out-of-state students.
- Prospectively prohibiting abatement of a district’s capital outlay tax levy (up to 8 mills) for purposes of economic development through property tax abatements, Tax Increment Financing (TIF) redevelopment districts, and Neighborhood Revitalization Areas, and expanding the authorized uses for proceeds of the capital outlay levy to include utilities, property & casualty insurance, and maintenance costs of existing fixtures.
- Changing capital improvement bond and interest state aid so that:
  - Districts with less than 260 students must obtain State Board approval for aid for new facilities;
  - State aid is prohibited for extracurricular facilities as defined by the State Board unless for safety or disability access; and
  - The maximum amount of bonds the State Board can approve statewide each year is limited to the amount of bonds retired in the previous year, with some exceptions.
- Requiring private schools participating in the low-income tax credit scholarship program to be accredited by the State Board or an accrediting agency approved by the State Board by July 1, 2020; expanding who may earn tax credits for contributions to the program to include individuals (currently it’s limited to corporations); and instituting an annual contribution cap of \$500,000 (the current annual program cap of \$10 million is not changed.)
- Requiring legislative and/or Legislative Post Audit review of a number of issues and weightings, and mandating KSDE provide substantial fiscal, academic, and demographic data for each district on an annual basis and post that information online.
- Requiring the State Board to design and adopt a district accreditation system based on the goal of each student meeting or exceeding the educational competencies known as the “Rose capacities.”
- Sunsetting the formula on July 30, 2027, to ensure it will be reviewed.

## **Fund a Strong & Affordable Public Higher Ed System**

The Chamber supports state investment that sustains and prioritizes public higher education to help ensure access and quality for all students, preserves quality and affordability, rewards efficiency and outcomes, promotes programs that match workforce needs, and supports R&D and commercialization.

*OUTCOME: Legislation (HB 2002) was **signed into law** that maintains relatively flat funding for higher education institutions – mostly “locking in” substantial funding cuts imposed last year in order to balance the budget – with the exception of limited additional funding for KU and K-State to partially restore what were believed to be disproportionate reductions to those two institutions. (Recall that in FY2017 the Governor made \$30 million in allotment cuts to the state’s higher education Regents institutions, with reductions varying by institution from 2.7%-5.1%, expanding a 3% -- or \$17 million -- cut in FY2016.)*

*The legislation also requires that each Regents institution conduct an independent efficiency study.*

*The Kansas Board of Regents (KBOR) has subsequently approved tuition increases at all six state Regents universities for the 2017-2018 school year in the following amounts: KU 2.5%, Wichita State 2.5%, Emporia State 2.7%, Pittsburg State 2.8%, Fort Hays State 2.9%, and K-State 2.9%.*

## **TRANSPORTATION**

### **Protect Dedicated Investment in Transportation Infrastructure**

The Chamber supports preserving the full direct sales tax transfer dedicated to transportation funding as passed in T-WORKS and opposes further diverting those funds to other purposes.

*OUTCOME: Legislation (HB 2002) was **signed into law** that continues to divert for the next two fiscal years sales tax revenues from the State Highway Fund (SHF)/KDOT to the State General Fund (SGF) to pay for general government purposes.*

*The legislation grants KDOT up to \$400 million in additional bonding authority to help fund maintenance and repair projects over the next two years that would not otherwise be possible due to the repeated funding sweeps that have left the T-WORKS program significantly impaired. KDOT had previously announced it would let only \$43 million in preservation projects for FY2018, but with the additional bonding authority will now spend approximately \$320 million in both FY2018 and FY2019. Funds resulting from the bonding authority cannot be swept into the State General Fund.*

*Legislation (HB 2382/SB 224) to increase the state motor fuels tax to help fund the state’s transportation system **received hearings in House and Senate committees but did not advance.***

*Legislation (HB 2060) to increase registration fees on electric and hybrid vehicles to help fund the state’s transportation system **received a hearing in a House committee but did not advance.***

## **BUSINESS COSTS**

### **Reduce Regulatory Burdens and Uncertainty**

The Chamber supports stable and limited government regulation in the marketplace.

*OUTCOME: Legislation (HB 2043) eliminating a requirement on group-funded work comp pools that the Kansas Insurance Department (KID) perform an audit every five years was **signed into law.** Because these pools have quarterly reporting and annual audit requirements in place already, KID felt their audit requirement is duplicative and unnecessary. Instead, under the bill KID is permitted to conduct these examinations as deemed necessary.*

*A proposed floor amendment to HB 2356 instituting an “American Made” policy, requiring that iron, steel and manufactured goods used or supplied in the performance of certain state contracts shall have been manufactured in the United States unless the requirement is waived by the state director of purchases for reasons of availability, quality or significantly excessive cost, **failed in the House.***

Compromise legislation (HB 2280) allowing a legislative committee to weigh in on proposed state rules & regulations that impact business and economic development was **adopted by the Senate but the compromise was not acted on by the House.** The bill would have allowed the legislative Joint Committee on Administrative Rules & Regulations to communicate to state agencies concerns and approval/disapproval of any proposed rules and regulations regarding the effect on businesses and economic development in Kansas.

Legislation (SB 76) requiring state licensing authorities to waive occupational fees and fees for licensing requirements for low-income individuals and military families was **approved by a Senate committee but was not acted on by the full Senate.**

Legislation (SB 212) directing the Kansas Secretary of Labor to enter into an agreement with the federal government for the state to take over enforcement of federal occupational safety and health act (OSHA) standards **received a hearing in a Senate committee but did not advance.**

### **Respect Employer-Employee Relations**

Because employers and employees should remain empowered to decide employment issues based upon individual market circumstances, the Chamber opposes legislation that substantially intercedes in employer-employee relations, including unreasonable mandates or restrictions in hiring, compensating, accommodating, or terminating employees.

**OUTCOME:** A proposed floor amendment to HB 2356 instituting a “prevailing wage” option for certain state construction projects, whereby contractors could be required to provide employee benefits, compensation, or wages at a rate higher than that required by federal or state law, **failed in the House.**

Legislation (HB 2326) clarifying circumstances in which an employer may withhold, deduct or divert an employee’s wages **received a hearing in a House committee but did not advance.**

Legislation (HB 2183) requiring that employers provide employees with the option of written pay statements **received a hearing in a House committee but did not advance.**

Legislation (HB 2185) allowing local governments to mandate wage, compensation, or benefit requirements for their public construction projects **received a hearing in a House committee but did not advance.** An amendment proposing this measure applicable only to Wyandotte County **failed in the Senate.**

Legislation (SB 177) requiring employment of 70% Kansas workers to receive certain state contracts and state tax benefits and incentives was **introduced but did not receive a hearing.**

### **Support an Impartial & Cost-Effective Legal System**

The Chamber supports a fair, nonpartisan, efficient, stable, and cost-effective legal system to resolve business disputes and a non-election process for selecting judges.

**OUTCOME:** Legislation (SB 50) was **signed into law** making it an unconscionable act or practice under the Kansas Consumer Protection Act for a person to engage in the unauthorized practice of law, regardless of whether it involves a consumer, consumer transaction, or supplier. Individuals, sole proprietors, partnerships, corporations, and LLCs are subject to and also protected by the Consumer Protection Act.

Legislation (SB 201) adding active duty members of the military to the definition of “protected consumer” for purposes of consumer protection laws was **signed into law.** With this addition, “protected consumers” subject to special protections now includes elder persons, persons with disabilities, veterans, surviving spouses of veterans, and active duty members of the military and their immediate family members.

Legislation (SB 86) enacting new regulations related to the permitting, registration, reporting, insurance, inspections, standards, and testing of amusement rides was **signed into law**. Water slides, inflatable devices, commercial zip lines, trampoline courts, and go-karts are specifically included within the bill's definition of "amusement ride." The new regulations are applicable whether rides are in a permanent or temporary location and extend to amusement rides owned by municipalities and non-profit entities.

### **Maintain Unemployment Comp and Workers Comp Reforms**

The Chamber supports unemployment compensation and workers compensation policies that promote stability and fairness, protect employer costs, reduce administrative burdens, and encourage employment and accountability.

**OUTCOME:** Legislation (HB 2329) clarifying unemployment compensation as it pertains to distribution of benefits when an individual receives post-employment severance was **signed into law**. Under current law, weekly unemployment benefits stop until severance has been exhausted, and cessation of benefits begins a week after separation from employment – potentially creating a "benefit-less" lag time between unemployment and actually receiving the severance payment. Under this bill, the start date of cessation begins a week after severance has been paid, and individuals whose benefits are stopped for 52 weeks or more due to severance pay will be entitled to a new benefit year.

Legislation (HB 2054) amending unemployment compensation (UC) law regarding information obtained by the Kansas Department of Labor pursuant to administration of UC was **signed into law**. The bill allows disclosure of such information to public officials or their agents or contractors for use in the performance of their official duties. "Performance of official duties" is defined to include the administration or enforcement of law or the execution of the official responsibilities of a federal, state, or local official; collection of debts owed to courts; enforcement of child support on behalf of a state or local official; or research related to the law administered by the public official.

Legislation (HB 2043) eliminating a requirement on group-funded work comp pools that the Kansas Insurance Department (KID) perform an audit every five years was **signed into law**. Because these pools have quarterly reporting and annual audit requirements in place already, KID feels their audit requirement is duplicative and unnecessary. Instead, under the bill KID is permitted to conduct these examinations as deemed necessary.

Legislation (HB 2059) to revert the AMA medical guide governing workers compensation injuries and benefits, in particular evaluation of permanent impairment injuries, from the current 6<sup>th</sup> edition back to the 4<sup>th</sup> edition **had a hearing in a House committee but did not advance. Committee members later attempted unsuccessfully to amend the measure into another bill.**

Legislation related to eliminating the workers compensation "prevailing factor" standard of causation and replacing it with a new "substantial factor" standard (HB 2058), permitting injured workers their choice of health care provider (HB 2342), and requiring accident prevention programs as a prerequisite to work comp insurance coverage unless declined by the covered employer (HB 2328) were all **introduced but did not receive hearings.**

### **Promote Affordable Health Care Coverage**

The Chamber supports to the extent possible market-driven health care that reduces costs and promotes greater efficiency, prevention, and enhanced quality of care without imposing substantial new mandates, penalties, or increased cost.

**OUTCOME:** Legislation (HB 2079) increasing the annual privilege fee assessed on every Health Maintenance Organization (HMO) operating in Kansas and creating a priority system for use of revenues from the assessment was **signed into law**. The annual privilege fee assessed on every HMO would be

increased from 3.31% to 5.77% beginning January 1, 2018 (the fee had been statutorily scheduled to go down to 2% on that date). As a practical matter, this fee increase can either be absorbed by the HMO or tacked onto HMO insurance policies. Fee revenues must be used in the following priority order: 1) restore Medicaid provider reimbursement rate cuts (see below), 2) increase funding for community mental health services, 3) fund a newborn screening program, and 4) fund Medicaid medical assistance payments.

A leading catalyst for this bill was legislators' desire to reverse a 4% reduction in Medicaid provider reimbursement rates, part of \$56.4 million in allotment cuts made by the Governor in 2016 to the KanCare/Medicaid system (Home and Community Based Services and 95 rural hospitals were exempt from this provider rate reduction.)

Legislation (HB 2044) expanding Medicaid eligibility was **vetoed by the Governor. An attempt to override the veto fell several votes short in the House (and thus was not considered in the Senate.)** The bill would have modified Medicaid income eligibility requirements starting January 1, 2018 (in addition to requirements that applicants be a non-pregnant adult under 65 years of age who is a U.S. citizen or legal resident and who has been a resident of Kansas for at least 12 months.) The bill also required referral to workforce training programs, created a Program Drug Rebate Fund and a Program Privilege Fee Fund to help fund Medicaid costs, and created a health insurance coverage premium assistance program.

## **ECONOMIC DEVELOPMENT**

### **Preserve Competitive Economic Development Tools**

The Chamber supports maintaining competitive state and local economic development tools that can attract or retain a variety of job creation and capital investment opportunities, including continuing to improve the effectiveness and financial return of state incentive programs.

**OUTCOME:** Legislation (SB 30) that includes reauthorizing the economic development STAR bond program for three years **will become law after the Governor's veto was overridden by the House and Senate.** STAR bonds are reauthorized through July 1, 2020, but during the first year of the extension there is a moratorium on approval of any new STAR bond districts.

Legislation (SB 19) prohibiting abatement of the local K-12 capital outlay mill levy (up to 8 mills) for purposes of economic development through a property tax abatement, TIF redevelopment district, or Neighborhood Revitalization Area was **signed into law.** The provision is prospective only so no existing agreements or TIF districts are impacted. A provision to also prohibit abatement of the state's 20-mill levy to fund K-12 education was dropped during House and Senate negotiations.

Legislation (HB 2212) that includes authorizing a board of county commissioners to grant under limited circumstances a property tax abatement for up to 10 years for property located within a federal enclave housing a former ammunition plant – applicable only to the Sunflower Army Ammunition Plant near DeSoto and a property in Labette County – was **signed into law.** Currently these properties can only be leased to businesses (rather than sold) because of ongoing concerns over future environmental cleanup obligations, and leased property generally is not eligible for locally-granted property tax abatements.

Legislation (HB 2036) creating an income tax credit of up to \$15,000 for employers paying employee tuition for aerospace and aviation-related educational programs **passed the House and had a hearing in a Senate committee but did not advance.**

Legislation (HB 2168) enacting the “ad astra rural jobs” program, providing tax credits for certain venture capital investment in rural areas, **passed the House but was not considered in the Senate.**

Legislation (SB 222) placing a one-year moratorium on Promoting Employment Across Kansas (PEAK) incentive awards **received a hearing in a Senate committee but did not advance.**

Legislation (SB 223) imposing a relocation distance requirement of at least 250 miles in order to be eligible for the PEAK incentive program and accelerating the sunset of the retention and expansion portions of the program **received a hearing in a Senate committee but did not advance.**

Legislation (HB 2050) restoring a joint legislative committee on economic development, which would include oversight over all economic development agencies, programs, and functions, **received a hearing in a House committee but did not advance.** This joint oversight committee was dissolved in 2013.

Legislation (SB 177) requiring employment of 70% Kansas workers to receive certain state contracts and state tax benefits or incentives was **introduced but did not receive a hearing.**

## **IMMIGRATION**

### **Encourage a Federal Immigration Policy**

The Chamber supports a balanced immigration policy created and enforced at the federal level to ensure consistency, rather than state-level action that creates additional mandates or threatens unreasonable penalties for employers that unintentionally hire or assist an illegal worker.

**OUTCOME:** Legislation (SB133) mandating any state agency that purchases goods or services with a value of at least \$50,000 require the vendor to be certified through the e-Verify system was **introduced but did not receive a hearing.**

## **OTHER NOTABLE BILLS**

### **Budget**

Legislation (HB 2002/HB 2052) balancing a substantial budget shortfall in the current fiscal year ending June 30 (FY2017) and putting forth a state budget for the upcoming two fiscal years, FY 2018 (which begins July 1) and FY 2019 (which begins July 1, 2018), was **signed into law.**

To balance the current year shortfall, the legislation primarily relies on permanently delaying a quarterly payment to K-12 school districts into the next fiscal year, allowing the state's Budget Director to borrow \$317 million over two years from state Pooled Money Investment Board funds (to be repaid in six annual \$50 million installments starting in FY2019), eliminating the planned FY2018 repayment of \$115 million in missed FY2016 KPERs contributions, and deferring \$64 million in FY2017 KPERs contributions (to be repaid \$6.4 million/year over 20 years, from FY2018-2037, amortized so as not to damage KPERs actuarial adequacy.) The plan would leave a projected ending cash balance for the year of \$50 million.

For the upcoming fiscal years, the legislation aims to balance a \$6.4 billion State General Fund (SGF) budget while still leaving ending cash reserves. Notable changes from the budget proposed by the Governor in January include adding funding for state mental hospitals, community mental health centers, and disabled/elderly Home & Community-Based Services providers among other programs; providing state employee pay raises (the last raise for most state employees was in 2009); eliminating certain efficiency savings lawmakers did not find viable; and putting funding toward the neglected State Water Plan. The bill makes all scheduled FY2018 KPERs contributions at the statutory rate but delays \$194 million in FY2019 KPERs contributions, to be repaid \$19.4 million/year over 20 years starting in FY2020, amortized so as not to damage actuarial adequacy.

The bill continues in both FY2018 and FY2019 to divert sales tax revenues from the State Highway Fund/KDOT to the State General Fund (SGF), but KDOT is given an additional \$400 million in bonding authority to fund transportation maintenance and repair projects over the next two years that would not otherwise occur due to the ongoing funding sweeps.

The plan would leave projected ending cash reserves of \$134.8 million in FY2018 and \$186.9 million in FY2019.

Legislation (HB 2054) was **signed into law** requiring that if dedicated fee moneys – fees assessed and paid for a specific purpose such as licensing, regulating, or certifying a person, profession, commodity or product -- are to be swept to the State General Fund or any other special revenue fund to pay for general government purposes the State must provide written notice of the proposed sweep to persons paying those fees within the preceding 24 months.

Legislation (HB 2419) governing funding for a budget stabilization fund and expenditures therefrom was **approved by a House committee but was not considered by the full House.**

### **Corporate Governance**

Legislation (HB 2153) amending the Kansas General Corporation Code (GCC) to authorize a type of business entity known as a “public benefit corporation” (PBC) was **signed into law.** A “public benefit corporation” is a for-profit corporation that is intended to produce a public benefit and operate in a responsible and sustainable manner, balancing stockholder financial interests, the best interests of those materially affected by the PBC’s conduct, and the public benefit required to be specified in its articles of incorporation. The bill defines “public benefit” to mean a positive effect (or reduction of negative effects) on one or more categories of persons, entities, communities, or interests (other than stockholders in their capacities as stockholders.) PBC status essentially allows a Board of Directors to act in the public good without being sued by shareholders. PBCs are authorized in about 30 states and include about 2,000 corporations. Examples include the companies Patagonia and Tom’s Shoes.

### **Firearms**

Legislation (HB 2278) allowing public hospitals to continue prohibiting on-premises carrying of concealed weapons after July 1<sup>st</sup> (when the exemption for all public facilities expires, whereby either concealed carry must be allowed or statutorily-specified security measures must be in place) was **allowed by the Governor to become law without his signature.** Affected medical facilities include the KU Med Center hospital district, state- or municipal-owned medical care facilities and adult care homes, community mental health centers, and indigent health care clinics. The bill does not extend the current exemption for public universities and colleges.

The bill also specifies that public employers are not liable for wrongful or negligent acts of employees carrying concealed handguns when those weapons are not carried within the scope of their employment, consistent with liability provisions in other areas of concealed carry law.

### **Immigration Unrelated to Employment**

Legislation (SB 157) requiring the Kansas Highway Patrol to work with the U.S. Dept. of Homeland Security to enforce immigration laws was **approved by a Senate committee but not considered by the full Senate.**

Legislation (SB 158) prohibiting immigration “sanctuary cities” in Kansas was **approved by a Senate committee but not considered by the full Senate.**

### **Liquor Laws**

Legislation (SB 13) commonly referred to as “Uncork” allowing convenience stores, grocery stores, and drug stores to sell full-strength beer was **signed into law.** Starting on April 1, 2019, convenience stores, grocery stores, and drug stores currently licensed to sell cereal malt beverages (CMB) of 3.2% alcohol or less will be permitted to sell beer of up to 6.0% alcohol by volume (but no liquor, wine or distilled spirits). Also starting April 1, 2019, retailers licensed to sell alcoholic liquor (beer, wine, and

*distilled spirits) may also sell CMB as well as other goods/services, provided nonalcoholic sales—excluding sales of lottery tickets and tobacco products—do not exceed 20% of the retailer’s total gross sales. After ten years the state Alcohol & Beverage Control (ABC) shall conduct a market impact study on the sale of beer by persons holding CMB licenses. The study shall include changes to the number of CMB and alcohol liquor licenses issued, reasons for the changes, the effect the bill has had on state and local tax revenues, the impact on employment, and other factors ABC determines to be pertinent.*

*Legislation (HB 2277) revising liquor statutes to allow for “common area consumption” was **signed into law**. The City of Lenexa had sought the legislation to help fulfill its vision for the urban food hall at the new Lenexa Public Market in City Center. The changes will allow alcoholic drinks and food to be purchased from different vendors for on-site consumption within a defined common area.*