

KANSAS LEGISLATIVE INSIGHTS NEWSLETTER

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SELECTED KANSAS LEGISLATIVE ACTIVITY, JUNE 5-JUNE 9

The final week of the 2017 legislative session was replete with boredom, frustration, intensity, some joy, but also with a shocking tragedy. The latter occurred on Wednesday when it was discovered that Rep. Patsy Terrell (D-Hutchinson) had died at the hotel where she was staying during the session. Terrell was serving her first term in the House representing the Hutchinson area.

After working through the week-end, including last Sunday afternoon and evening, the House and Senate took another run at passing a major tax proposal (**SB 30**) by combining it with the school finance bill (**SB 19**). That approach – which many legislators argued had constitutional issues – failed by a wide margin in the House so the House/Senate conference committee on taxation split the two bills and ran them separately. This strategy finally worked as both bills passed the House and Senate by close margins.

The victory on the tax reform bill (**SB 30**) was short-lived however as Governor Brownback announced within minutes of its passage that he was vetoing the bill. A scramble then ensued to find the 2/3 majority needed in each body to override the governor's veto. By late Tuesday evening the Senate managed to cobble together the necessary 27 votes and the House soon followed with an 88-31 vote, four more than the 84 needed. The legislation is projected to raise \$1.2 billion in additional revenue over the next two fiscal years. More details on the bill are listed in the TAXATION section below.

The bill creating a new school finance formula and increasing state aid to school districts (**SB 19**) by nearly \$295 million over a two-year period was also approved by the House and Senate this week. As of Friday morning the governor has not indicated whether he will sign or veto the bill. The June 30th deadline set by the Kansas Supreme Court for the legislature to produce a new formula is fast approaching so legislators have little time to make any changes if the governor does exercise his veto authority.

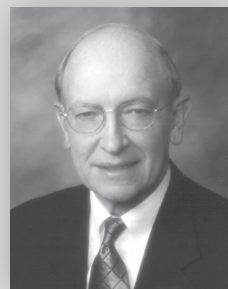
A House/Senate conference committee on the budgets for FY2018 and FY 2019 worked through the evening Thursday with the hope they can reconcile the differences between the House and Senate versions of the budgets in time for a floor vote tonight or Saturday morning. Passage of that measure (**House Sub for SB 109**) should bring the session to an end.

Now the two big questions circulating around the capitol are: (1) How will the Supreme Court rule on the new school finance bill? and (2) Will Governor Brownback announce soon that he is leaving the governor's office for an appointment in the Trump administration? Answers should be forthcoming in the next three weeks.

Listed below are selected bills which the governor has signed this week and bills that he has not yet signed. More information on these bills can be accessed by clicking on the

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Jim Maag and **James P. (Jim) Rankin** are co-editors of Foulston Siefkin's Kansas Legislative Insights. Jim Maag, a non-lawyer Governmental Affairs Consultant to Foulston Siefkin's Governmental Relations & Public Policy Practice Group, provides legislative monitoring and lobbying services for our governmental relations clients. Mr. Maag has had a distinguished career in governmental matters and banking, most recently serving as President of the Kansas Bankers Association. He has been involved in the Kansas legislative process for more than four decades as a legislator, administrator or lobbyist. As a partner at Foulston Siefkin, Mr. Rankin's practice focuses on employee benefits law relating to public, private, governmental, and tax-exempt organizations. A large part of his work involves insurance regulatory and compliance issues in many industries, including health care. Mr. Rankin has been selected by peers for inclusion in The Best Lawyers in America® and the Missouri & Kansas Super Lawyers® list. He is the firm's representative with State Law Resources, Inc., a national network of independent law firms selected for their expertise in administrative, regulatory, and government relations at the state and federal level.

bill number.

AGRIBUSINESS

House Sub for SB 60 – Moves to 7/1/2023 the sunset date for applications and renewals for a pesticide business license or a government agency registration. Also moves to 7/1/2023 the sunset date for a commercial or private applicator certificate and fees on milk, cream and dairy products. Provides exemptions for smaller dairy manufacturing plants. Empowers the Secretary of Agriculture to reduce or increase certain inspection fees if necessary. Reinstates certain dam inspection fees **(Signed by the governor. Becomes effective 7/1/17)**

BUSINESS AND ECONOMIC DEVELOPMENT

HB 2277 – Allows the establishment of “common consumption areas” by cities and counties. Such areas could be established by ordinance or resolution. Would authorize the consumption of alcoholic beverages for a specified time period. Would require a permit from the Director of Alcoholic Beverage Control (ABC). Also eliminates waiting period for Class B club membership. **(Signed by the governor and becomes effective on 7/1/2017)**

HEALTH CARE

HB 2079 – The bill—originally pertaining to water district vehicle registration—has become an instrument of the Conference Committee for a gut-and-go switch to Medicaid in the state of Kansas. Now, HB 2079, as amended, provides for supplemental Medicaid reimbursement for certain providers of ground emergency medical transportation services and would create an intergovernmental transfer program relating to Medicaid managed care, ground emergency medical transport

services, and those services provided by certain emergency medical services personnel in pre-stabilization and preparation for transport. In addition, the bill would increase the annual privilege fee assessed on every health maintenance organization (HMO). Currently, the annual privilege fee assessed on reporting HMOs is 3.31 percent of all charges to enrollees. Under the bill, for periods beginning on or after January 1, 2018, the fee would be assessed at an increased rate of 5.77 percent. *(Awaiting approval by the Governor)*

STATE GOVERNMENT

Sub for HB 2230 – Contains numerous amendments to the Cigarette and Tobacco Products Act designed to keep the state of Kansas in compliance with the Master Settlement Agreement (MSA) and showing “diligent enforcement” which would allow the state to continue to receive annual payments from the MSA. Also changes the effective date for the tax on electronic cigarettes to 7/1/2017 and reduces the tax rate on such cigarettes to \$0.05 per milliliter. Provisions were originally set out in SB 96. *(Awaiting action by the governor)*

TAXATION

SB 30 – (1) Eliminates the current income tax exemption for non-wage income of limited liability companies (LLCs) and other selected business entities starting in tax year 2017; (2) allows claims for non-wage business losses; (3) increases deductions for medical expenses, mortgage interest payments, and property taxes from 50% to 100% by tax year 2020; (4) restores child care credits and increases credits to 25% by 2020; (5) lowers low income exclusion level to \$5,000 starting in tax year 2018; (6) sets up three brackets for state income tax ranging from a low of 2.9% to 5.2% in tax year 2017 and from a low of 3.1% to 5.7% for tax year 2018 and beyond; (7) extends the sunset date for STAR bonds program to 7/1/2020 with a one-year moratorium on any new projects. **(Governor’s veto overridden by the House and Senate. Becomes effective 7/1/17)**

Go to <http://www.foulston.com/kslegislativeinsights> to access the Foulston Siefkin Kansas Legislative Insights newsletter. For a copy of last session's bills, go to the Kansas Legislative website at: http://kslegislature.org/li/b2017_18/measures/bills/

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