



KANSAS LEGISLATIVE INSIGHTS NEWSLETTER | APRIL 8, 2024

CONFERENCE COMMITTEE WEEK

House Speaker Dan Hawkins initiated the week by urging everyone to exercise patience and kindness as Conference Week commenced. He emphasized the conference committee process involves a combination of urgency and waiting, characterized by delays during negotiations and the drafting of reports. In both chambers, members offered apologies if their rhetoric offended colleagues. Additionally, each chamber has rejected a tax proposal from the other. Marathon sessions on Thursday and Friday led to a flurry of activity in pursuit of adjournment. The week concluded at 2:00 a.m. on Saturday, marked by frustration, short tempers, and exhaustion, following the passage of a budget, tax cuts, and the resolution of various other issues.

Conference committees, comprising six members — House and Senate Committee chairs, vice-chairs, and minority members — engage in negotiations to reconcile differences between House and Senate bills. Their reports are not subject to amendments; instead, they receive an up-or-down vote. During the 2024 legislative business, we observed the bundling of four or more bills into a single conference committee report, rendering bill numbers irrelevant. While budget and tax conference committees garnered significant attention, numerous bill discrepancies were resolved across all standing committees. Some conference committees focused on technical changes for specific bills.

BUDGET NEGOTIATIONS

This week, budget negotiations addressed more than 250 differences between the House and Senate budgets. After 12 rounds of exchanging offers to address the differences, House and Senate conference committees reached agreement. The House approved the \$25 billion budget but not without some spirited debate. House Appropriations Committee Chair Troy Waymaster was questioned about the elimination of \$75,000 for breast cancer screenings for state employees. Rep. Henry Helgerson, D-Wichita, gave a floor speech reminding the House the legislature has a spending problem, and the bill was too expensive.

During the Senate budget floor debate, Sen. Rob Olson, R-Olathe, expressed his disappointment that negotiators put only \$23 million into removing 500 people from waiting lists for services provided to Kansans with intellectual and physical disabilities. The two waiting lists contained the names of 7,500 people in February, which amounted to

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a 35% increase over the past five years.

Olson also referred to a last-minute budget addition mysteriously appropriating \$1 million for the restoration of an opera house in Manhattan. "I'd be ashamed to put something in the budget like an opera house, while there's kids that need help that are on a waiting list," Olson said. Sen. Rick Billinger, the Senate Ways and Means Committee Chair, said he was pleased the bill retained \$15.7 million to finance deployment of the Kansas National Guard to the southwest border with Mexico. The provision called on the governor to activate, mobilize, and deploy state resources to prevent drug and human trafficking and "other crimes" such as illegal immigration "contributing to an emergency."

The Senate passed the budget 26-12, and the House passed the budget 78-44. Below are some items from the new budget:

- \$75M for the KU Cancer Center research.
- \$5M to Wichita State University for aviation research.
- \$35M for Maintenance, Repair, and Overhaul (MRO) of airplanes at the airports in Salina and \$1M for Topeka.
- \$4.5M for Judiciary for expenses related to ransomware attack.
- \$48.3M reimbursement rate for agency-directed personal care services on the Frail Elderly waiver.
- \$47M to continue the Medicaid add-on for nursing facilities.
- \$30M to increase physician provider codes by nine percent.
- \$50M all funds for the increase to Medicaid outpatient hospital reimbursement rates for FY 25.
- Moved discussion of \$4.8M to extend Medicaid coverage for dental exams, x-rays, and cleanings for FY 25 to Omnibus.
- \$18M State General Fund to continue the Medicaid add-on payment at a rate of \$10 per Medicaid day for one-time funding to continue the Medicaid add-on to nursing facilities for FY 25 based on the number of Medicaid patients served.
- Star bonds for the Mattel Adventure Park in KCK.
- Added \$35.7M for the State Finance Council and added language directing the funds to be distributed to the regent's institutions after each executive officer certifies the institution has eliminated various DEI requirements.
- \$16.9M for housing and retail development in NW Kansas for FY 25.
- Transfer \$10M from the Legislature Employment Security Fund to the Department of Commerce for the 2026 World Cup.
- Add \$18M, all from federal ARPA funds for the 2026 World Cup games.
- A renewal of the State Employee Pay Plan language from last year for the same increase.

TAX CUTS HEADED TO GOVERNOR

Late Friday evening, Senate Sub. for HB 2036 (second version) emerged from the tax conference committee. The House passed the bill unanimously and the Senate 24-9. It is headed to the governor's desk. The compromise has a \$1.57 billion price tag over three years. During Senate floor debate, Sen. Ethan Corson, D-Overland Park, expressed concern about the declining state balances projected to be \$392 million in the red by 2029. Some senators speculated the governor may veto the measure because of the price tag. Below is a summary of the provisions of the compromised tax bill.

Individual Income Tax Brackets and Rates The bill would restructure the Kansas individual income tax brackets to a two-bracket system, beginning in tax year 2024. This is closer to the dual rate system proposed by the House in SB 300. For married individuals filing jointly, taxable income of \$0 to \$46,000 would be taxed at 5.15 percent, and

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taxable income of \$46,001 and above would be taxed at 5.55 percent. For all other filers, taxable income of \$0 to \$23,000 would be taxed at 5.15 percent, and taxable income of \$23,001 and above would be taxed at 5.55 percent.

Social Security Benefit Exemption Beginning in tax year 2024, all Social Security benefits would be exempt from Kansas income tax.

Standard Deduction and Personal Exemption Increases The bill would increase the standard deduction amounts from \$3,500 to \$3,605 for single filing status, \$8,000 to \$8,240 for married filing status, and \$6,000 to \$6,180 for head of household filing status beginning in tax year 2024. The bill would also increase the personal exemption allowance amount, currently set at \$2,250 for all persons on the return, to \$18,320 for married couples filing joint returns, \$9,160 for all other filers, and an additional \$2,320 for each dependent listed on the return.

Financial Institutions Privilege Tax Rate Changes The bill would reduce the privilege tax rates applied to financial institutions.

Local Government Transfers The bill would abolish the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund and eliminate statutory transfers from the State General Fund to these funds.

School Finance Levy Residential Exemption The bill would increase, beginning in tax year 2024, the amount of residential property exempt from the statewide uniform school finance levy to \$100,000 of appraised value. The bill would discontinue the formula to increase the amount of the exemption based upon the statewide average increase in residential valuation over the preceding ten years. The bill would reduce the uniform school finance levy from 20 mills to 19.5 mills beginning in tax year 2024. The bill would require a demand transfer to be made from the State General Fund to the School Finance Fund in the amount of any reduction to the State School District Finance Fund attributable to the residential exemption in excess of \$42,049 and the mill levy below 20 mills, as certified by the Director of the Budget.

Food Sales Tax Changes The bill would accelerate the elimination of the state sales and compensating use tax rate on food and food ingredients from Jan. 1, 2025, to July 1, 2024. The bill would accelerate the raise in the percentage of sales tax revenue distributed to the State Highway Fund to 18.0 percent of sales and use tax receipts beginning July 1, 2024, rather than beginning on Jan. 1, 2025.

WHAT ELSE PASSED AND WHAT REMAINS FOR THE VETO SESSION?

In addition to the budget and tax plan, other significant bills were passed this week, including workers' compensation reform (SB 430) and unemployment insurance reform (HB 2570). After more than five years of discussion, the Legislature finally authorized The Office of Child Advocate in SB 115.

HB 2105 passed the House with an 81-40 vote and the Senate 28-11. The bill would prohibit postsecondary educational institutions from using diversity, equity, or inclusion practices — such as a DEI statement — in their admissions, educational aid, and employment decisions. SB 271 barring state agencies from securing drones produced by countries of concern was approved.

K-12 funding is one of the major issues to be addressed. After five hours of deliberations, the conference committee reached a deal late Friday night, but there was not time to prepare the conference committee report before the Legislature adjourned. The issue around eliminating the three-day grace period for mailed ballots postmarked by election day will be revisited. In late April, the budget committees will be preparing the Omnibus budget bill to address funding for bills already passed, the new revenue projects, and the Governor's Budget Amendments.

MARCH REVENUE AND CREG

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March revenue collections exceeded the projected estimates for the first time since last September. Tax collections were \$7 million above the estimates. Income tax was the source of the increase. Through March, fiscal year 2024, Kansas has collected \$6.9 billion in tax revenue. This represents \$140.9 million, or 2% less than projected. March corporate income tax collections were \$77.1 million, a decline of \$7.9 million, or 9.3%, under the estimate.

On April 19, the Consensus Revenue Estimating Group (CREG) will be meeting to review the current estimates, economic trends, and update the estimates. The CREG is composed of officials from the Department of Revenue, Division of Budget, Legislative Research Department, economists from the University of Kansas, Kansas State University, and Wichita State University. The CREG meets semi-annually in April and October.

WHAT'S NEXT?

Attention turns to the governor's office as Gov. Laura Kelly decides which bills she will sign or veto. The budget is likely to have some line-item vetoes. The \$15 million to send the Kansas National Guard to the southwest border is a potential veto target.

KEY DATES

- April 19 – Consensus Revenue Estimating Group (CREG) Meets
- April 25-26 – Omnibus Discussions House Appropriations and Senate Ways and Means Committees
- April 29 – Veto Session Begins

BILL TRACKING HISTORY

A history of the bills we are tracking as of April 8, 2024, can be found [here](#).

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