

LEGISLATIVE REPORT

APWA KC Metro

Kansas Legislative Report

April 7, 2023

The 2023 Legislative Session has reached First Adjournment. This essentially means the regular session is complete and legislators are returning to their district for a two week break. Veto Session begins April 24, which provides several days for the House and Senate to consider veto-overrides, if any, and wrap up lingering items.

The days leading up to First Adjournment saw resolution of many issues, after a stop-and-go progress over the course of the week. The House and Senate passed a compromise budget after days of negotiation. A compromise tax package is on its way to Governor' Kelly desk, proposing to restructure state income tax rates to a single flat tax rate of 5.15%, expand exemptions for social security income, and accelerate the state sales tax phase-out for food and food ingredients to zero percent as of January 1, 2024.

Many policy issues, including water, insurance, and many others, were negotiated and agreed upon by both chambers, sending dozens of bills to the Governor. Health and education policy were an exception that saw some policy approved while others were defeated or left to be considered at a later date.

Over the next two weeks, Governor Kelly will review the passed legislation with the option to sign, veto or allow to become law without her signature.

Water Policy & Funding

As it relates to water, the water conference committee met several times to resolve differences between the House and Senate's water bills. The water funding bill, HB 2302, generated considerable debate between the respective committee leaders. Among a few details, the major differences is the amount of funding to the state water plan fund and its funding mechanism. The House's version called for a portion of the state sales tax, equating to \$54M a year for the next five years while the Senate's version appropriates \$35M for each of the next five years from the state general fund. After multiple meetings, an agreement was made for the HB 2302 conference committee report essentially yielding to the Senate's position to appropriate \$35M for each of the next five years from the state general fund. Though an amount lower than passed by the

House, the bill would provide a historic funding boost to the state water plan fund. The conference committee report was approved by both houses and on the way to the governor.

Negotiations on HB 2279, related to groundwater management district reporting were resolved fairly quickly. The bill's final version includes most of the Senate's amendments with the exception of one of the reporting dates. The HB 2279 conference committee report was approved by the Senate and House and on the way to the governor's desk.

Transportation Policy & Funding

Leaders of the House and Senate budget committees wrapped up their work after ten meetings of negotiations. The final budget, enclosed in the HB 2184 conference committee report, includes compromise language relating to money for the infrastructure leveraging fund to assist local governments in matching federal funds.

The leaders agreed to a modified version of the House's approach. Instead of a single \$220M transfer to the infrastructure leveraging fund, the budget will transfer \$55M to the infrastructure leveraging fund from the state general fund for the next four fiscal years. The bill stipulates the funds are for infrastructure repair and modernization projects funded by the federal infrastructure investment and jobs act. The funds will be capped at \$50M million for construction and \$5M million for technical support. All expenditures must be approved by the legislative budget committee and the State Finance Council must approve any request to exceed the \$55M million annual cap.

The budget bill was approved by both houses before the First Adjournment.

The passage of the comprehensive tax package leads to whether the bill will become law or see a veto by Governor Kelly. In any case, the bill's language accelerates the state sales tax phase-out for food and food ingredients to zero percent as of January 1, 2024. The committee adjusted the designated percentage of the state sales tax for the state highway fund to 18%, to hold the state highway fund harmless.

Respectfully,

Travis Lowe, CAE