



**2022 Kansas Legislative Session
Weekly Legislative & Regulatory Update
Week 5**

At a Glance

- Ad Astra 2 Congressional map is vetoed
- APEX bill continues to be a key issue for the session
- Senate Tax committee work ramps up considerably
- Water Committee waits for its mega bill

Looking Ahead

- 11 February – SB 417 Hearing in Senate Ag & Natural Resources
- 24 February - Turnaround

Week 5 Update

Weeks four, five and six are consequential to setting up a relatively smooth Turnaround time. Last week, as the weather predictions worsened and forecasts called for 12” to 15” of snow around the Topeka area with variations of that statewide, the decision was made not hold a full legislative meeting day on Wednesday and altered some meetings scheduled for Thursday. Committee staff scrambled to reschedule key briefings and legislative hearings from last week to this week. While changing a couple of days doesn't sound like a major issue, it is amazing the amount of work that is churned through in a two-day period in the Statehouse. As such, the next two weeks leading up to Week 7 which is Turnaround week, will be fever pitched.

In addition, as last week was winding down, Governor Kelly vetoed the Ad Astra 2 Congressional map. As drawn, Wyandotte County, the smallest county in Kansas would have been divided by I-70 which bisects the county. The northern tier would have been in Congressional District Two (CD2) with the southern portion of the county remaining in CD 3. In addition, Ad Astra 2 shifted Lawrence to CD 1 which stretches to the Colorado border. A veto override attempt will be made in both the Senate (they will begin the override process since the map emanated in the Senate chamber) followed by the House.

APEX, the Attracting Power Expansion mega-mystery project, also continues to be a major factor in the session. Each session has a signature storyline. At times it has been the budget, or a tax package. This year, redistricting was the expected signature story. But redistricting is sharing the spotlight with APEX for the time being. Kansas is

one of two states that have been shortlisted from 69 other potential project sites nationwide for a new manufacturing facility. The project is a projected \$4 Billion investment, likely in eastern Kansas, bringing approximately 4,000 high-paying jobs and at least 5 supply chain companies. The company intends to announce its final site selection in early March with an internal decision completed mid-February. The Senate swiftly considered and passed an incentive package designed to solidify Kansas' position as the frontrunner for the jobs but not before adding a corporate income tax reduction provision. The Senate amendment would lower corporate income taxes by .5% each year the APEX company utilizes the incentive bill. The amendment was designed to provide some tax relief to existing Kansas businesses. The initial fiscal note could be \$50 million per year, but could be cumulative resulting in elimination of the corporate income tax which comes with an annual \$400 million fiscal note.

The House however significantly slowed consideration of the incentive package. Will the bill pass out of the House Commerce Committee in a workable form? If so, will the bill be debated on the House floor?

The Senate Assessment & Taxation Committee heard testimony last week on the Senate bills which largely mirror the House bills related to the eliminating the state sales tax on food. The Senate Committee has been slowed some this year because of a staff health issue. Staff has been switched and the committee is gearing up to accomplish a great deal of work in the coming two weeks. This however is a committee exempt from committee deadlines which does provide some breathing room. Regarding the food sales tax, the House appears to be in the leadership role on deliberations. We are also hearing chatter about rather than eliminating the sales tax on food, why not just lower the overall sales tax rate? This week, the Senate Assessment & Taxation Committee will hear, SB 359, that would eliminate the state sales tax on utility service for commercial and industrial customers. That could have a large annual fiscal hit to the State, but it is important that the local/county sale tax option be retained otherwise there could be a significant financial impact to local and county governments.

[Senate Assessment and Taxation Committee Part 1 of 2 02/01/2022 - YouTube](#)

Sales Tax bills under consideration include:

1. SB 339 Exempt food and food ingredients, including food sold at restaurants, candy, soft drinks, products sold in vending machines and more. Projected negative annual fiscal impact is projected to be \$655 million by 2024.
2. SB 342 Exempt food and food ingredients, but not the more expansive listing in SB 339. This is the Governor's proposal. SB 342 has a negative annual fiscal impact of \$492 million by 2024.

3. SB 328 would lower the state sales tax rate to 4.75 percent. This bill is reflective of those who prefer to lower the overall state sales tax rate than just the targeted food and ingredients state sales tax elimination.
4. SB 359 would set the state sales tax rate for businesses at zero and allow local governments to follow suit. Under current law the sales tax rate for residential utility customers (gas, electric and water) is set at zero and the local option is retained.

The House Water Committee is in waiting mode. There is a multi-hundred-page bill that will fundamentally alter water regulation in Kansas which is still being worked on by staff. The bill is expected to be officially introduced any day. Last week, the Committee finished up its extensive review of state water law, regulation, inspections, and funding sources with a discussion of dam inspections and the need for additional resources to continue the program. Despite the consequential nature of the Water Committee's work over the last two sessions, it has received little press, until the discussion about dam safety in the state which could use.

The House and Senate Utilities Committee received a briefing last week on nuclear power, specifically small modulating nuclear units. The House also received an excellent briefing from Lanny Nickell, EVP of Southwest Power Pool about the role of the organization, Winter Storm Uri and how the transmission system works. This week in the House Committee there will be two more informational briefings. Tuesday will feature a discussion of advanced power sources and Thursday will focus on broadband. The Senate will receive two days of briefings on the negative health effects from renewable energy before hearing SB 353, which would create setback, sound, noise, lighting, and other restrictions that would halt renewable energy development in Kansas. The House Committee did vote out HCR 5023 which supports continued investigations at the state or federal level related to price gouging during Winter Storm Uri.

SB 417 which would increase the annual fee on coal-fired electric generating units in Kansas to keep the program administered at the state level by KDHE rather than by the EPA, is set for a hearing on Friday, February 11th in Senate Ag & Natural Resources.

The Senate Local Government Committee is on call of the Chair this week and the House Local Government Committee will meet Wednesday to hold a hearing on HB 2549 which creates some zoning and setback restrictions within planned housing areas.

There is an informational hearing Monday in House Financial Institutions and Rural Development to discuss the need for rural housing. There is a growing concern

about the lack of housing supply in rural areas – particularly in southwest Kansas where the dairies are growing and expanding.

As always, please call/email or text anytime with questions! We are here to help!

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