



Legislative Update

March 17, 2025 | Report from KMU Legislative Liaisons Kimberly & Joshua Svaty

At A Glance

- Senate budget committee further cuts budget & adds a 3% across the board cut.
- Property tax debate continues.
- Parallel Generation changes advance, wildfire & utility pole bills hit road bumps.
- Water bills receive hearing and have general support but lack funding.

Looking Ahead

March 18

All non-exempt committees must conclude work

March 21

Second chamber deadline

March 28

First Adjournment

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Week Ten

March Madness

This is the last week for non-exempt committees to meet. Final committee meetings will occur on Monday and Tuesday before legislators devote the balance of the week to floor debate. This Friday, March 21st, is the deadline for bills to pass the second chamber. Next week conference committees will meet while floor debate continues. Friday, March 28th is First Adjournment for the Legislature. Friday, March 28th is also scheduled to be the day when a “Black Mass”, a Satanist gathering, will occur. The gathering was initially set to be inside the Statehouse. It now appears to be moved outside on the Statehouse grounds. The scheduled event may prompt lawmakers to expedite their work or maybe even hold over some of their work until they return in April.

Budget

The Senate budget writing committee finalized its version of the budget bill and made additional cuts to the House-passed version. The full Senate will take up the budget bill this week. If the Senate approves the budget (which is expected), House and Senate budget negotiators will meet to work through the differences between each Chamber’s version of the budget bill.

The Legislature approved a bill that would allow for the State government to continue to be funded at 2025 levels beyond July 1, 2025, the start of the new fiscal year, if a new budget has not been signed into law. Such an action would be a first for the State of Kansas. Lawmakers have said this will avoid a government shutdown if the Legislature and the Governor cannot agree on a budget. Passing a budget is the one requirement of the Kansas Legislature as per the State Constitution incidentally.

The Senate committee’s budget is notably different from the House approved mega-budget. Each chamber prioritized different areas to fund and cut in the state budget. The last action taken by the Senate budget writing committee was to include a 3% across the board cut to the state budget whereas the House’s budget included a 1.5% budget cut. These cuts are in addition to the sizable budget cuts made to specific programs or agencies. The Senate committee’s 3% budget cut further reduced state spending by \$70 million. The Senate budget committee’s 3% cut gave discretion to the state agencies. The House budget cuts did not include debt service principle, state aid, capital improvements and excluded cuts to state schools for the blind and hearing impaired, state hospitals and correctional facilities.

Taxes

Property taxes have been the focus of this legislative session, but as noted in last week’s report, personal and corporate income tax reductions have come under consideration. The House Tax Committee passed legislation that would set a state budget threshold which when exceeded would automatically trigger funding to be directed to lower the state’s income tax rate and the corporate income tax rate with the ultimate goal of moving the personal income tax rate to a single 4.5% tax and reducing the corporate income tax to 4.5% as well. Current

state income tax rates are 5.58% and 5.2%. The measure would also lower the corporate income tax rate over time to 4.5%. Currently the rate is 4% plus a 3% surcharge on taxable income above \$50,000. Under the measure, when state revenues exceed a pre-determined point, such as \$10 billion as discussed in the hearing, a portion of the revenue would be diverted from the state general fund to buy down the personal and corporate income tax rates. Property taxes continue to be the focus of most legislators, however.

There are several bills and constitutional amendments concerning property tax relief. As in the budget writing process, the House and Senate have taken different approaches to addressing property taxes. To finalize property tax relief, they will likely need to meet in the middle or perhaps either the House or Senate position will be accepted.

Proposed Constitutional Amendments

- 1.HCR 5011** would tie property tax valuations to a determined rolling average. During floor debate on the HCR, a six-year rolling average was discussed, but lawmakers agreed that a bill would need to be introduced and passed by the Legislature to fill in many implementation details if the electorate passed the amendment.
- 2.SCR 1603** places a hard 3% cap on property tax valuations using 2022 as the baseline year. House leadership has said the SCR doesn't have support in the House.
- 3.** The Speaker Pro Tem, Blake Carpenter (R-Derby) introduced a new constitutional amendment that would create a new fund dedicated to lowering taxes. Under the proposed constitutional amendment, a citizens committee would be created to review all state sales tax exemptions. The revenue derived from eliminating state sales tax exemptions would be directed to a fund that would cut income and property taxes. There are more than 130 state sales tax exemptions in state statutes which cost the state \$8.7 billion in revenue annually. The Pro Tem's amendment would go on the November 2026 ballot with a clarifying trailer bill to be run in the 2027 legislative session.

Legislation

- 1.SB 35** was approved by the Senate. The bill would eliminate the State's 1.5 mill levy dedicated for maintenance and renovation of state properties. The bill could be part of conference committee negotiations.

2.HB 2011 is the counter to the Senate's SB 35. Under HB 2011, the state's mill levy for K-12 education would be reduced by 1.5% from 20 mills to 18.5. This concept was considered at the end of the 2024 legislative session as well. HB 2011 has not been debated by the full House yet. However, if passed, it, like SB 35, could be part of conference committee negotiations.

3.SB 280 requires the approval of a majority of electors voting to increase the total amount of property tax levied by more than the annual rate of inflation. The bill is pending before the Senate Assessment & Taxation Committee. If passed by the committee and the full Senate, it could be discussed in conference.

4.HB 2396 is pending before the Senate after receiving House approval. HB 2396 has two key parts. The first part creates a \$60 million fund, like the previous Local Ad Valorem Tax Relief Fund, which could be directed to cities and counties whose spending is lower than the rate of inflation which ostensibly would keep property taxes down. The fund, which increases 2% a year would be known as the ASTRA Fund – Acknowledging Stewardship of Tax Revenue and Appropriations. Under the bill, revenue neutral/ public comment requirement that was enacted in 2021 would be repealed. However, under the second part of the bill, a new protest petition of 10% of the voters who cast a ballot for president in the taxing jurisdiction would be created. The protest petition would allow for residents to challenge any city or county spending that exceeds the rate of inflation. New construction and bond issues are excluded from the bill.

5.SB 215 passed the Senate Assessment & Taxation Committee last week. The bill would expand property tax rebates for seniors (65+) and disabled veterans. Under SB 215, the income threshold is increased to \$80,000 from \$50,000, the value of eligible homes is increased to \$450,000 from \$350,000 and Social Security is exempted from counting toward the income limit. The fiscal note is approximately \$38.8 million in fiscal year 2026 and \$47.9 million in 2027. A similar concept was considered by lawmakers last legislative session but was ultimately removed from the final tax package negotiated by the Legislative Leadership and the Governor.

Other Constitutional Amendments

In addition to the three constitutional amendments addressing property taxes, the Legislature has seen several other constitutional amendments introduced. Lawmakers are debating a second run at legislation that would give greater oversight to the Legislature on rules and regulations

authority, further solidify Second Amendment rights, underscore that non-citizens do not have voting rights and would scrap the decades-old nominating commission in favor of electing Kansas Supreme Court justices. The Senate passed the election of Supreme Court justices amendment 27-13 and the Speaker of the House has signaled there could be enough Republican support to pass the amendment this session.

Data Centers

The House Tax Committee approved legislation that provides a sales tax exemption to qualified data centers. The Committee amended the duration of the sales tax exemption before it passed the measure. Under the bill, a sales tax exemption would be provided to qualified data centers for 10 years if at least 20 jobs were created and \$250 million was invested, 20 years if \$500 million was invested or 40 years if more than \$1 billion was invested. The full House will consider the bill this week. The Senate approved the bill overwhelmingly last month. The Commerce Department said Kansas has lost out on several billion dollars of data center investment in recent years because it lacked the key sales tax incentive that all other states hosting data centers offer.

Energy

There are several bills still moving related to energy and utilities. There will be a conference committee between House and Senate utilities committees on two identical bills that each were modestly tweaked by the other chamber (**HB 2040 and SB 92**). The base bill would grant an additional 60 days to the KCC to issue an order in a transmission line siting docket.

HB 2107, legislation that would impose a liability cap on utility damages from wildfires was amended in the Senate Utilities Committee. The amendment doubled the liability cap for damages.

HB 2109, legislation that would provide legal immunity to utilities when law enforcement installed law enforcement equipment on utility poles in the public right of way, passed the House overwhelmingly but has run into a myriad of legal questions in the Senate.

HB 2149, which modified the parallel generation statutes, was largely re-written before passing the House Energy & Utilities Committee last week. The bill was approved unanimously by the full House and will be heard Monday, March 17th in the Senate Utilities Committee. Significant changes were made to the parallel generation statutes that

include:

- adding robust consumer protections for cash purchased and leased systems,
- mandating that system disclosures are required in advance of entering into a contract for a distributed generation system, and
- tasking the Attorney General to establish a taskforce to develop a standard disclosure form to be periodically updated.
- The bill establishes interconnection standards, a right for utilities to inspect a system before being put in-service or for significant repairs or replacement that does not increase the overall system size.
- The bill limits the export capability of distributed generation systems using parallel generation, eliminates the 50% cost premium for power sent to the utility and codifies a formula to ensure right-sized systems are installed.

Water

The Senate Ag & Natural Resources Committee held hearings last week on two bills related to water policy. The first would establish a taskforce to guide water plan funding and implementation. The second bill would infuse additional funding into the water plan for technical services, water conservation and supply. Funding does not exist in either the House-approved or Senate budget committee approved budget for the water plan fund additions beyond what is currently in statute.

Local Government

The significantly amended “banking bill”, **HB 2152**, received a hearing in Senate Financial Institutions and Insurance on Thursday which will be carried over to Monday, March 17th. Cities had serious concerns about the bill as introduced. A group of city attorneys and city finance professionals worked with the banker’s association to craft a compromise bill that both parties could support. The most onerous provisions of the bill from the local government standpoint were removed. The House overwhelmingly approved the bill, and it is likely the Senate will follow suit.

SB 66 was a broad bill concerning local official conflict of interest. The measure would only allow action to be taken to defeat a “major development” (a wind or solar project) if a local official, one of their relatives or intimate partner (very broadly defined) had an interest in a major development. SB 66 was amended by the Senate Local Government Committee to include the contents of a bill

introduced in 2024, SB 301, that would require all local officials to annually complete a statement of substantial interest. An amendment was also added to the bill requiring a local official to publicly state during an initial meeting whether they have an interest in the issue before the body or if a family member has an interest.

HB 2088 pertaining to fast-track permitting was heavily amended in the Senate Commerce Committee, so the bill just pertains to single-family residential homes as opposed to a litany of permitted projects considered by cities. The bill was introduced by an out of state group who acknowledged that Kansas does not have a problem permitting developments but rather is seeking to create a

template for other states to follow.

Closing

The next two weeks are going to be a blur with bill numbers changing as quickly as the Kansas weather. Our hearts are heavy thinking about those who suffered injury or worse during last Friday's fifty-five car pileup on I-70. In total more than seventy-one accidents were reported on I-70 during last Friday's wind event that reduced visibility and made it dangerous to be outside. Thank you to our first responders and utility personnel for working hard to keep people safe and to keep the utilities running safely and reliably.



The banner features a light gray background with a pattern of white and orange hexagons. On the left, there is a logo consisting of three hexagons: a blue one with a water drop, a gray one with a lightning bolt, and an orange one with a flame. To the right of the logo, the text "2025 KMU" is in large blue letters, and "CONFERENCE" is in large orange letters. Below this, in smaller blue text, it says "APRIL 23-25, 2025 | HYATT REGENCY - WICHITA, KS". At the bottom, a dark gray bar contains the text "»» CLICK HERE TO LEARN MORE ««" in white.

2025 KMU
CONFERENCE
APRIL 23-25, 2025 | HYATT REGENCY - WICHITA, KS

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The banner has a white background with a pattern of small gray circles. On the left, there is a logo of a golfer in a blue and orange shield. To the right, the text "KMU GOLF" is in large gray letters, and "TOURNAMENT" is in large, bold, italicized gray letters. Below this, in blue text, it says "APRIL 23, 2025 | AUBURN HILLS GOLF COURSE | WICHITA, KS". At the bottom, an orange bar contains the text "CLICK HERE TO LEARN MORE" in white.

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