

## **Government reaction to pandemics**

The Committee heard overwhelming testimony concerning the effects of our government's reaction to the pandemic. In most cases, the reaction was more devastating than the pandemic. Kansas must take action to round out fiscal year 2020 through 2021, making it whole, evaluating policy that was implemented during the pandemic. We must be fully prepared to handle the next pandemic in a way that will protect the vulnerable while still allowing Kansans our freedoms, and the economy to thrive. We must take a hard look at the KEMA emergency statutes and the reason they were created. We should look for uniform regulations for state and local governments that avoid shutdowns or increased regulations that severely limit businesses and laborers. We need to get back to the core of the emergency declarations; identifying authorities that may designate essential personnel to work in an emergency, but disallow any other restrictions or limitations on private businesses.

## **Unemployment**

Commerce committees should evaluate the reforms recommended by KS SHRM and the Kansas Employer community concerning the Kansas Unemployment Insurance System.

A special oversight committee should be established to monitor and input the Kansas Department of Labor issues with computer systems, the unemployment system and processes for client services. This committee should have appropriation authority to expedite the legislative process. At a minimum, the appropriations committees should appropriate the dollars to modernize the IT system at the Kansas Department of Labor. The Commerce committees should have input on the process and the system, as well as the appropriated amount.

There is grave concern the CARES money was not used to pay for addressing the outdated computer system we continue to hear of and that CARES money was not used to fund the depleted unemployment system that is so desperately needed by out-of-work Kansans as a result of the Governor shutting down businesses state-wide. The state of Kansas made promises that we would not penalize our business community, and their employees in any way for unemployment during the government mandated economic shutdown and business restrictions. To avoid mass layoffs and business closures as a result of severely increased fees, we need to find a way to backfill the UI fund without increasing the rates on the business community. The Committee would use any available CARES Act funding and future federal funding to replenish the unemployment fund and additional funding from the State General Fund..

With so many companies reopening and trying to grow, the committee recognizes the fact that there are thousands of available jobs, and most laborers looking for work would be able to find a good job. The Committee recommends that we reinstate the policy that anyone on unemployment should be either in training for a new skill or actively seeking employment. Employers should be able to seek employment or skills "matching" from the Department of Labor so those with the necessary skills can quickly become self-sustaining. There should be a process for employers to be able to report about those that were offered positions so that they may be cleared from the unemployment rolls. This policy may be accompanied by one that

allows for incentives to companies to retrain those currently on unemployment and incentives to laborers for retraining on a new skill and staying in the state of Kansas for work.

The committee recognizes the fact that recipients of unemployment may be burdened with the surprise of a tax bill after being on unemployment for many months. The committee should explore if Tax withholding should be mandated for all recipients receiving unemployment benefits.

Ensure that any additional federal COVID relief money is primarily allocated to individuals and/or businesses, updating the unemployment system, and replenishing unemployment coffers.

Rep Burroughs language to come (Local government cares act dollars to be used to pay wages when a government laborer is forced to quarantine)

### **Regulatory Recommendations**

The Committee heard many arguments regarding the removal of regulations to help clear the way for economic growth:

Make permanent any regulations waived in reaction to COVID-19 unless there is evidence that a waiver caused public harm. Review existing Rules and Regulations in order to reduce overburdensome and duplicate regulations allowing for the rebirth of the economy and clearing the way for new businesses.

Implement a Sunset Review Board for state regulations, agencies, boards and commissions.

Create universal recognition in occupational licensing to allow anyone with an occupational license in another state to immediately work in Kansas. This could be done via passage of a version of HB 2506 (2020 session).

Have state and local permitting function as “shall issue” so that businesses can (re)open without waiting for inspections, application delays, etc.

Eliminate any state or local inspections required before re-opening a business that was temporarily closed due to COVID-19.

Create a one-stop “concierge” shop in the State Department of Commerce to coordinate federal, state and local permitting for new businesses, business expansions, or business reopening.

Evaluate the effectiveness of local and state-authorized, business-specific subsidies to individual businesses or developments (i.e., STAR Bonds, CIDs, etc.) and explore other opportunities to attract new businesses.

Local governments relax local zoning regulations and ordinances to make it easier for Kansans to operate businesses from their own homes.

### **Business recruitment/ ECO-DEVO**

The Committee recognizes the need for a comprehensive review of the ECO DEVO programs recognizing the need to encourage more small business startups to replace dying companies.

Use additional federal COVID funding to expand broadband internet availability to Kansans, including rural, urban, and K-12 students utilizing remote or virtual options.

Enact provisions increasing the availability of hunting and fishing through different means, including but not limited to land-owner permits for deer. The Department of Wildlife Parks and Tourism testified the pandemic has brought to light the importance and value of tourism in Kansas. The U.S. Fish and Wildlife Service reports hunting and fishing contributes billions to the U.S. economy. Kansas will benefit by increasing availability of hunting and fishing to residents and non-residents.

House and Senate Commerce committees and the appropriate budget committees should utilize the Legislative Post Audit report in evaluating the policy guidelines, structure and funding of the Economic Development Initiatives Fund.

### **Explore barriers to businesses coming to or expanding in Kansas**

The cost of energy is high in Kansas in comparison to surrounding states and is a deterrent to new businesses and expansion of existing businesses. The Committee recommends the Energy and Utilities committees address the cost of energy in Kansas.

Kansas must implement tax law that addresses the unintended state income tax increases on businesses and individuals as a result of federal income tax changes in 2017 and the CARES Act. Taxing foreign income and not allowing individuals to itemize puts Kansas at a severe disadvantage competing with states that made the necessary changes in law.

Commerce and Tax Committees should work together to explore incentivizing Capital intensive industries such as manufacturing to invest in our state. Taxpayer apportionment election- Allowing taxpayers the option to choose between the current three-factor apportionment formula and a single-factor formula based on sales would serve as a strong economic development tool for the state, and should be explored.

### **Workforce development**

House and Senate Commerce committees should evaluate and make recommendations regarding the Aviation industry. The Committees should reconsider HB 2118 (2020)-Income Tax Credits for certain graduates of aerospace and aviation-related educational programs and employers of program graduates. Review other states' current programs and ensure that Kansas is as aggressive in order to ensure that we retain our graduates as well as ensure that multi-state corporations will choose to grow their Kansas operations rather than the other states.

There was also discussion that we should look to expand parts of this program into other industries.

This model should also be reviewed for computer science and other technology courses and training.

Commerce Committee should find ways to encourage Kansans to explore opportunities in high paying skilled labor positions, including allowing students to learn on site. There is a need to resolve liability concerns regarding high school apprenticeships and on-the-job training programs. Use HB 2354 (2020) as a starting point.

Closely align K-12 and higher ED with Kansas companies and labor unions to allow for certificates in high demand, high paying skilled labor careers.

Kansans would benefit from the Promise Act – HB 2515. This bill encouraged high school students, who would otherwise not be going to college, to apply for scholarships to attend 2-year colleges or other certificate programs. The recipients would be required to live and work in Kansas upon graduating and the scholarship would be waived, otherwise become a loan that is repayable. This bill passed the House and Senate with near-unanimous vote, but was VETOED.

#### **Economic Recovery Linked Deposit Loan Program (S Sub for HB 2619 from 2020)**

Kansans would benefit, especially during the COVID pandemic, from a new low interest loan program using state \$60 million in state idle funds through the State Treasurers Office and Pooled Money Investment Board to “impact invest” back into Kansas communities. The creation of a tax exemption for agricultural real estate and rural housing loans to help lower interest rates and to provide needed relief to ag producers and help stabilize rural communities. The legislation passed overwhelmingly in 2020 in a bipartisan manner, but was VETOED.

#### **Property Tax**

Eliminate 1.5 mills of property tax for the state building funds and appropriate as necessary through the appropriations process.

Enact the Kansas taxpayer protection act; establishing notice and public hearing requirements prior to approval by a governing body to exceed its revenue neutral rate for the imposition of property tax and discontinuing the city and county tax lid; providing a waiver of interest and fees on certain delinquent property taxes for a period of time and delaying preparation of delinquent real estate tax list and notice in response to the COVID pandemic and hardships as result of the Governor’s shutdown of Kansas businesses; waiver of commercial property tax on businesses that have been closed as a result of a government shut-down; prohibiting valuation increase for real property solely as the result of normal repair, replacement or maintenance of existing structure; providing for county treasurers to establish a payment plan for the payment of delinquent or nondelinquent taxes; allowing the state board of tax appeals to serve orders and notices by electronic means if requested by the party; prohibiting county appraisers and the state board of tax appeals from increasing the valuation of county appraised property in

valuation appeals. The legislation (CCR HB 2702) passed with a super majority but was VETOED. The VETO resulted in an increased burden on Kansans who are suffering as a result of the Governor's shutdown of a majority of businesses, where individuals lost jobs, couldn't receive unemployment payments (through no fault of their own), and still had financial obligations such as utility and property tax due. In the same time frame, Kansas tax collections have increased and federal funds were available for COVID expenses. It is imperative this legislation be passed expediently in order to help Kansans and the economic recovery of our state.

## **Income Tax**

Exempt PPP loans from State income tax but not allowing for loan expenses to be deducted. These loans were directed at helping those businesses retain employees and pay other expenses while their operation was closed or at reduced capacity. This program has been proven to be successful and have helped saved thousands of Kansas businesses, let's not add any extra burden to these businesses by now making those businesses pay taxes on those funds that allowed them to stay in business and/or keep employees on the payroll.

Increase and allow Kansas itemized deductions including the option to itemize on their state return when they do not itemize on their federal return, allowing individual expensing deduction, extending the net operating loss carryforward period, allowing rural opportunity zone for certain counties (possibly statewide), and increase the standard deduction in proportion to the federal standard deduction changes made in 2017. Kansans are being penalized by not being able to itemize medical expenses, charitable donations, other tax expenses such as property, from their Kansas income tax obligation. At a minimum, allow charitable donations to be itemized on Kansas tax returns to encourage charitable giving and minimize state taxes owed. Legislation allowing for many of these provisions passed in 2018 but was VETOED.

Enact tax law clarifying Kansas tax law from federal tax changes in 2017 and the 2020 CARES Act that result in unintended state tax increases. This includes but is not limited to foreign income, standard deductions, itemized deductions, tax on COVID financial aid, tax on emergency withdrawal of retirement funds.

Fraudulent payments via unemployment or other systems may result in an income tax obligation of victims. The victim should not be held responsible for the income tax of a theft they did not commit. Penalties should be reviewed and possibly increased for the criminal activity and identity theft. Tax committees should evaluate the Child Care Assistance Credit for businesses and make appropriate changes.

## **Sales Tax**

Tax committees should recommend a Market Place Facilitator bill at the beginning of the 2021 Legislative session.

## **Education**

The Committee noted testimony from a pediatrician about parents with school age children were unable to return to the workforce, thereby decreasing the economic recovery. Further testimony provided evidence that there is limited risk to children (0-18) who rarely transmit the disease and further community spread. This testimony, coupled with Dr. Fouche's recent testimony that children should be in school at all possible costs, the committee recommends every effort be made, every appropriate accommodation necessary, to provide an in-person education for the students of Kansas. Consideration should be made to allow state aid to follow students when in-person public school instruction is not offered.

Cares act dollars should be allocated to help with the broadband initiative so all Kansas students may have access to on-line learning, with live instruction and interaction.

## **Health**

The committee realizes, and has listened to testimony, that shares the impact of quarantines on businesses and schools. In recent articles, committee members have noted that the cycle thresholds are an important factor in determining PCR positives used to identify individuals who should be quarantined. Recently, the Director of the National Institute of Allergy and Infectious Diseases Dr. Anthony Fauci made clear that the cycle threshold should be 34 or below. Fauci said, "If you get a cycle threshold of 35 or more, the chances of it being replication-competent are minuscule."

With that understanding, we make two requests: 1) that Kansas require all laboratories providing covid testing for Kansans to release cycle thresholds for tests within seven days (much like Florida has recently required) to the public. And 2) the Committee makes a formal KORA request to KDHE to provide the cycle thresholds for all past PCR tests.

The Committee recognizes Kansans that are 75 years of age or older are our most vulnerable and account for over 66% of all COVID-19 related deaths in our state. The need for PPE, testing, and sanitizing funding for nursing homes and elderly care facilities should be a top priority for any current and future COVID-19 funding.

## **State Government**

Relevant state law should be modified to require state agencies to submit technology plans to the Joint Committee on Information Technology prior to any technology-related request for proposals being issued by state agencies.