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The 2014 Legislative Session came to an end early Saturday morning on the 79th day of session, wrapping up the shortest legislative session in 40 years. It was also a three-day wrap-up session, the shortest in recent memory. The past two years the wrap-up session lasted over three weeks and the legislative session was 99 days long. The only remaining scheduled business is a brief, formal adjournment ceremony May 30 called Sine Die. The key to finishing session was passing a budget and compromising on some large tax items that had been pushed off to wrap-up session.

Tax issues

The Legislature passed a bill that restructures and renames the Kansas Court of Tax Appeals. It will now be called the Kansas Board of Tax Appeals (BOTA). The bill passed the House on a vote of 124-0 and the Senate on a vote of 26-13. Senate leadership was split on the bill. Senate President Susan Wagle was supportive of it, but Senate Majority Leader Terry Bruce proposed to send the bill back to conference committee. The change to the Court of Tax Appeals came amid criticism for long delays in making rulings on tax cases presented to it. The new rules for the renamed BOTA will both shorten time for cases to linger and restrict rulings on tax challenges.

The Legislature also sent to the Governor near the end of the night a large tax conference committee report that cuts county-collected mortgage registration fees and moves cement and lime manufacturing plants to personal property status. The following is included in this tax conference committee report:

- It cuts the mortgage registration fees but phases in new fees that will overall cost Kansas counties about \$17 million in revenues over the next five years.
- It moves cement and lime manufacturing plants to personal property status. This means they will be eligible for machinery and equipment property tax exemptions. It also opens the door to other complex manufacturing facilities being reassigned to “personal property” status, which carries lower property taxes and possible complete property tax exemption as machinery and equipment.
- The measure also adds four counties to the list of Rural Opportunity Zones, which provides five-year income tax exemptions to new residents who move to ROZ counties.
- It includes a provision that waives the 50% tax for timely filed taxpayers who receive late or amended 1099 forms. Provisions allowing for adding back in losses did not pass.
- It does not include property tax exemptions for privately owned health clubs, matching the exemption afforded nonprofit health clubs such as the YMCA and YWCA. The Senate originally included that provision in their tax bill, but the House failed to adopt the measure. The conference committee removed that provision after the House rejected that provision in the bill.

Promoting Employment Across Kansas (PEAK)

PEAK is a key economic development tool for the state, allowing the state to offer employers who bring jobs to Kansas or who keep jobs in Kansas 95% of their employee’s state withholding taxes for five years. It’s a powerful bargaining tool for the state in luring new businesses to Kansas. The conference committee report passed by both chambers continues the \$6 million a year program that will top out at \$42 million in benefits to employers over the next several years. The key issue for the conference committee was using PEAK to discourage Kansas employers from leaving the state, calling the “retention” facet of the program. The conference agreed on up to \$1.2 million a year that the Department of Commerce can use for retention—the

House sought \$1.5 million—and extended the program for four years instead of it expiring next year. The bill also extends the employer withholding authority to account for lowered Kansas income taxes.

Budget and revenue receipts

Key to the end of session was passing the budget. The Senate worked the budget conference committee report Friday morning, and the House worked it late in the evening on Friday. Both chambers narrowly passed the bill. The Senate passed it 22-18, and the House passed it on a vote of 70-54 after several anxious minutes when the vote started at 60-62. Many conservatives in both chambers did not vote for the budget for several reasons, including that it did not include provisions to prohibit state funds for Common Core and Affordable Care Act. Members of the House also were frustrated with the budget because it didn't follow the typical procedure—the House never debated the budget on the floor of the House, but rather it was completely done in the House Appropriations Committee and then in conference committee with the Senate.

The budget process was made tougher on Wednesday when the Kansas Department of Revenue reported tax collections for the month totaled \$92 million less than expected. Governor Brownback cited changes in the federal tax code on capital gains and other income as the reason for the large drop. Also Wednesday Moody's Investor Services downgraded the state's bond rating on concerns about long-term pension obligations and further reduction of state ending balances necessary to cover expenses as a result of tax cuts enacted in 2012 and 2013. The service cut the Kansas rating from Aa1 to Aa2. Ratings are assigned to give an indication of risk associated with the investment.

The \$14.6 billion budget does the following:

- Gives state employees a one-time \$250 bonus;
- Preserves guaranteed longevity bonuses for employees with at least 10 years in state government;
- Appropriates \$360 million for the Kansas Department of Corrections for 2015 and 14 more corrections officers at the Topeka Correctional Facility;
- Spends an additional \$5 million for health care services for more than 200 people on state waiting lists for those with developmental, intellectual and physical disabilities; and
- Withdraws \$5 million from the Kansas Endowment for Youth Fund to elevate to \$32 million the annual allocation to the Kansas Bioscience Authority, which is a reduction of \$3 million from what was recommended.

At the state's current spending pace, when coupled with declining revenue, the state will burn through nearly \$600 million in reserves by 2016, according to projections developed by legislative fiscal analysts. The state will be left with about \$14 million in reserves by 2016 and forced to make \$256 million in cuts to balance the budget by 2017. A separate analysis done at the request of Democrats with different assumptions, projects those budget cuts will start as early as 2016.

Workplace safety

The House concurred on the Senate's amendments to HB 2616 on a vote of 94-30. The measure authorizes and directs the Secretary of Labor to study whether the state should enter into an agreement with the federal government regarding state enforcement of federal occupational safety and health act standards. If signed into law, the study would be due to the Legislature by January 12, 2015.

Renewable energy

The Legislature also rebuffed another push to repeal a state standard that utility companies must obtain 20% of their power from renewable sources by 2020. One legislator called the many attempts, and rejections of the measure in the House, as tiresome.

State Use Law

In quick action, a conference committee met during wrap-up session, deleted the contents of SB 63, which pertained to penalties for voting crimes and inserted the language of SB 405, which is in regards to the State Use Law. The conference committee report containing the new language subsequently passed both chambers and was sent to the Governor. The measure would allow municipalities to purchase products and services on the list certified by the Director of Purchases for qualified vendors. It would grant the State Use

Law Committee the power to elect its chairperson and would remove the Governor's power to designate one of the private-sector business members as chairperson. The bill would also extend the State Use Law Committee's sunset date by five years, from July 1, 2014, to July 1, 2019.

Predetermination of health care costs

The House concurred the Senate's amendments to HB 2668 on Friday on a vote of 97-27. This bill would enact the Predetermination of Health Care Benefits Act. It would establish a request and information transaction process called "health care predetermination request and response." Health plans that receive this request would be required to provide to the requesting health care provider the amounts of expected benefits coverage on the procedures specified in the request that is accurate at the time of the health plan's response. Any such request provided in good faith would be deemed to be an estimate only and would not be binding upon the health plan with regard to the final amount of benefits actually provided by the plan.

Prairie chickens

Legislators passed a conference committee report of HB 2051 that included a less confrontational approach to regulate prairie chickens in the state. The measure states the federal government lacks the authority over prairie chickens or their habitats in Kansas and allows the Attorney General to sue to block federal actions. This was suggested by the House despite members of the Senate initially wanting to make it a felony for federal employees or fine them if they attempt to regulate the prairie chickens. The measure is a response to the federal government's decision last month to list the lesser prairie chicken as a threatened species.

Looking ahead

Sine Die on May 30 with the official end to this session. Next session could be completely different with more difficult issues. Following the elections in the fall there will be new members in the House and perhaps new statewide office holders. Because it won't be an election year, social issues will be back on the table. If revenues continue to fall like they did in April, there could be a financial crisis. The courts could still order the state to spend more money on education as they continue to review whether current funding is adequate. Next session will be a whole new ballgame.