



# **Bright and Carpenter Consulting, Inc.**

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## **January 23, 2015 Legislative Update**

The second week of session was busy with many committees meeting and hearing updates from agencies and industries. Many committees heard from the Governor's administration on how the Governor's budget proposal will impact their operations including in the areas of education funding, transportation funding, and Medicaid operations. Committees will pick up the pace next week when more hearing on bills will be held.

This report gives a brief overview of the highlights from the week:

### **Budget**

Both budget committees—House Appropriations and Senate Ways and Means—took center stage this week as they both held hearings on the Governor's rescission bill and informational briefings on the current funding for K-12 education and the Kansas Department of Transportation.

- KDOT announced at the committee meeting its plan to delay about \$300 million in repairs to state roads. The Governor's proposed budget includes a transfer of hundreds of millions of dollars from the state highway fund to the State General Fund. At a briefing this week, Budget Director Shawn Sullivan said KDOT still plans to complete all of the announced projects, and the transfer of funds and delay of projects will impact the preservation projects this year and next. While they don't think the bond rating will worsen, the Governor will propose a constitutional amendment to pay bonds at the beginning of each year.
- The committees also received briefings on how appropriations are made for K-12 education. It sets the stage for the desire of legislators to rewrite how school funding is appropriated.
- The Governor's rescission bill also had a hearing in both the House Appropriations Committee and Senate Ways and Means Committee. The goal is to get the bill to the Governor's desk quickly so that the allotments can take effect. Thus far, the only opponent for the Governor's proposed fix to the FY 2015 shortfall was the Kansas Action for Children who say they disagree with sweeping funds from the Children's Initiative Fund. The hearings will continue next week.

There were some changes on the House Appropriations Committee. Rep. John Edmonds stepped down from his post as Vice Chair on the committee due to time constraints. Rep. Sharon Schwartz has been appointed Vice Chair. Rep. Schwartz was chairman of House Appropriations from 2007 to 2009. Rep. Edmonds will become a member of the House Pensions Committee. Rep. Charles Macheers will leave the Pensions Committee and become a member of Appropriations.

### **Governor's Council of Economic Advisors**

Stan Ahlerich, Executive Director of the Governor's Council of Economic Advisors, gave a presentation to the Senate Commerce Committee this week on the work of the council. The goal of the group is to provide the most current economic indicators that are current and up to date. They compare data regionally with trends and long-term. Ahlerich said there are good things happening in Kansas. The business environment is good in the state and encouraging to see agencies working together better on growing the environment. One thing they want to see improve is the skills of Kansans and develop the talent needed to meet the current needs of businesses. He mentioned Workforce AID, which is a pilot program started by the Department of Commerce

that turns the education system in a new direction by starting with the businesses first and find out what they need and then train the students to meet the skills needed.

### Charitable raffles

The House Federal & State Affairs Committee held an information briefing on charitable raffles. Statutes need to be passed in order to implement the rules and regulations for authorized raffles. Some of the questions that need to be answered are: what kind of non profits will be authorized for these raffles? What is the threshold on gross receipts that would require a license? What is the age limit on who can sell a raffle ticket? Number of times an organization can hold a raffle? Overall, many of the comments by legislators was the goal to pass a bill that would give the least amount of regulation while still allowing organizations to gain the most revenue from this action. They are considering limiting the raffles to just 501(c)3 and (d) organizations. A subcommittee on this issue is now meeting and will put together perimeters for a bill.

### Insurance

Senate Judiciary Committee held a hearing on SB 16, attorney fees in certain actions. It's a question of when can attorney fees be recouped by plaintiffs from their own insurance companies when they are forced to sue. The bill would limit the specific instances when attorney fees can be recouped. Proponents included State Farm, the Kansas Chamber of Commerce, and Kansas Association of Insurance Agents. Opponents includes the Kansas Auto Dealers and a small business owner. The committee will work this bill next week.

### Court of Tax Appeals

House Tax Committee also held an information hearing on the change from Court of Tax Appeals to the Board of Tax Appeals. The committee heard the changes have been positive. There are still a few concerns with property evaluation, but legislators indicated this could be fixed overall with fine tuning of the new culture of the Board.

### Bill introductions

Several key bills were introduced this week:

- A bill that would reform the Unemployment Insurance (UI) system by changing to a fix rate system instead of the current arrayed system.
- In the Senate Tax Committee on Wednesday, the Kansas Department of Revenue introduced two tax bills—the Governor's proposed sin tax bill and the other bill with the other tax items from the Governor.
- Several judicial selection bills, all of which are proposed constitutional amendments dealing with the Kansas Supreme Court. One calls for the popular election of Kansas Supreme Court justices and Court of Appeals judges; another for the Governor to appoint subject to Senate confirmation Supreme Court justices (eliminating the power of the Supreme Court Nominating Commission who nominates candidates to the Governor); and the third establishes a new nominating commission (three members each selected by the House Speaker, Senate President and Governor) for nomination to the Governor. An information hearing was held Thursday in House Judiciary on the judicial selection process.
- A bill by Rep. Jim Ward, who has been a sharp critic of KanCare, introduced a bill that would expand Medicaid eligibility in Kansas.
- Rep. Ward also introduced a bill that would allow Kansas to be removed from the multi-state health care compact that would administer most federal health care programs in Kansas on a block grant basis. The health care compact bill was passed last session.
- A bill to repeal the Common Core education standards in Kansas was introduced.

### Next week

Next week committees will continue to have presentations from state agencies and programs. Both commerce committees will hear on the current economic development tools in Kansas and their benefits to the state and workforce development issues in the state. The budget committees will work with the Governor's rescission and supplemental bills. The tax committees will begin exploring the tax process including sales and use taxes and income, privilege, cigarette & tobacco, liquor and severance taxes. Look to see more action taken by committees in the next coming weeks.