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February 12, 2016 Legislative Update

After nearly five hours of debate on Wednesday, the Kansas House of Representatives passed their budget bill for FY'16 and '17, House Substitute for Senate Bill 161. The final vote Thursday morning was 68-56. The Senate then worked late into the evening Thursday and passed their version of the budget, Senate Substitute for House Bill 2365, by a vote of 24-15. Both bills now head to conference committee, where three members from each Chamber's budget committee will hammer out differences and arrive to one compromise bill. After the Consensus Revenue Estimating Group comes out with their revenue numbers in April, the budget may have to be amended during the Veto Session.

Court Rules on Equitable Portion of School Finance Lawsuit

Hours before the House was to vote on their budget and the Senate was scheduled to debate theirs, the Kansas Supreme Court issued their ruling on the Gannon v. Kansas school finance lawsuit. The high court gave the Legislature until June 30, 2016 to appropriate an estimated \$71 million for FY'16 and \$38 million for '17 in additional K-12 education funding. The decision called the "equity" portion of the Kansas school funding formula unconstitutional.

The timing of the ruling caused some lawmakers in both Chambers to attempt to hold off any action or debate on the budget and send the bills back to the committees to find the additional funds. Largely due to drops in revenue the state has seen in recent months, both the House and Senate budgets leave ending balances of around \$6 million for FY'16, obviously not enough to comply with the court's ruling. Both the House Appropriations and Senate Ways & Means Committees are now left with the decision to either cut expenses or raise taxes to come up with the additional money needed to satisfy the court decision.

House Passes Budget

The full House of Representatives passed several key amendments to the committee's proposed budget bill on Wednesday. Most notable was the requirement that, should the Governor decide to delay the last quarter payment to KPERS in FY'16 to balance the budget, it must be paid back in the first quarter of FY'17 (by October 1) with 8% interest. Another amendment dealing with KPERS, takes away the Governor's allotment authority in FY'17, to guarantee that all quarterly KPERS payments are made and the delayed payment returned.

Another important amendment gives the Governor oversight on the Children's Cabinet and how they spend state dollars from the Children's Initiative Fund (CIF). The CIF will continue to be fully funded to adequately administer its programs, including tiny-K Early Intervention and Parents as Teachers.

Senate Passes Budget

The Senate's version of the budget leaves a slightly higher ending balance of \$6.7 million and includes many similar provisions as the House's version, including an extra \$2.4 million for Osawatomie State Hospital, prohibiting the privatization of the state's two psychiatric hospitals without legislative approval and restrictions on the University of Kansas' spending on campus improvement projects.

A few differences in the Senate budget include halting all new Sales Tax Revenue Bonds (STAR) projects and reinstating the 18% cap on KDOT's spending on bond payments. The Senate version also prohibits any delayed payments to KPERS in FY'16 and FY'17.

KU Testifies on Controversial Out-of-State Bond Approval

The University of Kansas Chancellor, General Counsel and Chief Financial Officer were all in Topeka on Tuesday testifying before the House Appropriations and Senate Ways & Means Committees regarding their nearly \$350 million Central District Development Project and the purchasing of those bonds from a Wisconsin agency without legislative approval. While KU ensures legislators that the State will not be responsible should KU not fulfill their debt obligations, lawmakers showed their disapproval by inserting language in both of their budget bills that restrict KU's spending without permission from the Legislature. The Senate Ways & Means Committee went as far as to prohibit any tuition or state dollars to be used toward their bond payments.

Bill to Shorten Legislative Session Passes Committee

The House Appropriations Committee passed favorably Substitute House Bill 2513 on Thursday. The bill would limit the number of meeting days of the legislative session to 75, should the Governor move to an annual budgeting process, rather than bi-annual. A majority vote of the Legislature would be needed to extend beyond 75 days. Because state law requires that the legislative session begins on the second Monday in January, the committee discussed taking a two week break after gaveling in to allow revisers to draft bills and the Governor to release his budget. Currently, Nebraska, Texas and Washington follow a similar schedule. House Bill 2513 now heads to the full House of Representatives for debate.

A Look Ahead, Turnaround Deadline Approaches

With both Chambers passing a budget, only one committee will be meeting today. Several have scheduled informational hearings next week by the Alvarez & Marshal firm on specific efficiency study recommendations. A final report is scheduled to be presented to both budget committees next Tuesday. As previously mentioned, the efficiency study includes 102 recommendations that claim to save the state \$2 billion over five years.

February 26 is "turnaround" day, when all bills must be passed out of their house of origin in order to stay alive for the 2016 legislative session. However, leaders are looking at moving that deadline up to February 23, but no official decision has been made.