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February 5, 2016 Legislative Update

The 2016 Kansas legislative session is beginning to heat up. From the House Appropriations Committee's passage of a budget bill for FY'16 and '17 to the first controversial debate by either Chamber on a proposed constitutional amendment to change the way judges are chosen to the Kansas Supreme Court, week four saw plenty of action. Some say this speed-up supports leaders' hopes to shorten this year's legislative session, pushing up all deadlines by a number of days. It's obvious that after last year's 113-day session that extended to the middle of June, legislators are on a mission to stay the course and conclude business on time.

Budget: House Substitute for SB 161

On Thursday, the House Appropriations Committee passed out favorably House Substitute for SB 161, which includes budgets for both FY'16 and FY'17. The committee made several amendments to the Governor's recommendations, some more controversial than others and some that will have both positive and negative effects on the state's budget. Before the committee amended the Governor's rescission bill on Thursday, the State General Fund (SGF) profile included ending balances of \$35 million for FY'16 and \$88 million for FY'17. The revised budget as amended by the committee leaves a \$6 million ending balance for FY '16 and \$87 million for FY '17.

One of the more contentious amendments was to reject the Governor's recommendation to move the Children's Cabinet, currently under the Department for Children and Families and the entity that administers the Children's Initiative Fund, to the Department of Education. Doing so would sweep more than \$50 million from tobacco settlements that currently go to the Children's Initiative Fund and instead put it toward the State's General Fund. During both the House Appropriations and Senate Ways and Means Committees' hearings on the Governor's rescission bill, numerous conferees opposed this specific proposal by the Governor in fear of losing control of dollars meant specifically for children's programs including Parents as Teachers and tiny-k Early Intervention.

Another controversial committee amendment was to require any state-funded educational institution that uses an out of state funding authority for campus construction bonds in FY'16 or '17 to use their own non-fee money unless they receive legislative approval for the project. This is in response to the University of Kansas who, without legislative approval, sought out over \$320 million in bonding authority from an out-of-state company.

There were many other less disputed amendments including adding \$3 million from the SGF for the hiring of new staff for the Osawatomie and Larned State Hospitals and adding \$2.45 million for FY'17 to the Department of Corrections for a 2.5% pay raise.

House Substitute for SB 161 now heads to the full House of Representatives for floor debate sometime next week.

General Government Budget Subcommittee Reviews Agency Requests

On Monday and Tuesday, the General Government Budget Subcommittee met and heard from general government agencies on their specific request for an increase or decrease in appropriated funds for FY'16 and FY'17. Each agency representative was given the opportunity to explain in detail their adjustment and to stand for questions by the committee members. What seems to be a strong theme this session, there was much discussion amongst the subcommittee on the governor-recommended sweeping from agencies that reflect high fee fund balances. Several committee members expressed strong opposition to any form of fee sweeps and instead urged agencies to consider lowering the fees on their industry moving forward.

Constitutional Amendment on Judicial Selection Fails

On Thursday, the full House of Representatives took final action on HCR 5005, which would change the method of selecting justices for the Kansas Supreme Court. The bill failed with a vote of 69-53, needing at least 84 votes to pass a constitutional amendment. After much floor debate on Wednesday, it appeared that the legislature was not ready to give the Governor the power to select a nominee, if approved by Kansas voters on the November ballot. Currently, there is a Kansas Supreme Court Nominating Commission, which screens candidates for vacancies then forwards three names to the Governor for consideration.

January Tax Revenues Down

On Thursday, Secretary of Revenue Nick Jordan addressed the Senate Ways and Means Committee with an update on tax revenues. The state collected \$534 million in January. While down \$6.7 million or 1.25% below estimates, Kansas is still \$21.6 million or 4.2% above last January's revenues, which were at \$512.6 million. For the fiscal year-to-date, total tax revenues from July 2015 through January 2016 are at \$3.3 billion. That's \$26 million or .76% below estimates of \$3.4 billion but still \$73.4 million or 2.2% above last January's year-to-date figure of \$3.3 billion.

Hearing Held on Prohibition of "Sanctuary Cities"

The House Judiciary Committee held a hearing on HB 2466, which would prohibit any city or county from becoming a "sanctuary city" for illegal immigrants and not working with law enforcement in gathering information about a person's citizenship or immigration status.

Proponents included the Kansas Republican Party and Secretary of State Kobach. Opponents were the League of Kansas Municipalities, Kansas Association of Counties, ACLU and the Sisters of Charity of Leavenworth. All opponents continue to argue that immigration reform is a federal issue that should not be legislated state by state. The League and Counties also expressed concern of increased costs related to the number of additional arrests made by law enforcement and the burden of enforcing federal immigration laws in Kansas.

Presentation on KPERS to House Appropriations Committee

On Monday, Alan Conroy, Executive Director of the Kansas Public Employees Retirement System (KPERS) presented an update and overview of the system to the House Appropriations Committee. KPERS covers 286 school districts, 105 counties, 424 cities and townships, hospitals, libraries, community colleges and conservation districts. There are currently 85,000 employees on the school KPERS system and 22,000 employees on the state KPERS system.

The total KPERS system (all groups) is currently only funded at 66%. Judges are funded at 93.5%. Police and fire departments are funded at 74%. Local, state and schools (combined) are funded at 60.6%. Broken out, local is funded at 67%, state at 75%, and schools at 54%. State and schools are statutorily grouped together at 59%. However, Conroy reported that KPERS is on target to be fully funded by 2033 due to the legislature's approval of \$1 billion in Pension Obligation Bonds last August.