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March 18, 2016 Legislative Update

Today marks the last day for bills to be passed out of non-exempt committees before moving to their respective Chamber for consideration and debate next week. The House Appropriations and Senate Ways and Means Committees received briefings from the various committees charged with vetting their respective agency's recommendations from the Alvarez & Marsal government efficiency study. Several of the recommendations that require legislation were also introduced in bill form. Along with this session's dominant issues of school finance, STAR bonds and property taxes, it was a bustling week in the Kansas Legislature.

Lawmakers Torn on School Funding Solution

The Senate Ways and Means Committee heard on Wednesday and passed on Thursday their plan to address the Supreme Court's equitable school finance ruling. Senate Bill 512 appropriates no new money to schools but rather shifts existing dollars amongst districts based upon the old finance formulas for Local Option Budget and Capital Outlay prior to last year's block grant legislation. As expected, much of the discussion was around how the old formula creates winners and losers. While over 100 school districts will receive more state aid, over 180 districts will receive less under this bill. The Senate's plan will keep intact the \$17 million extraordinary needs fund established in the block grant for schools to use in instances such as enrollment increases of more than 2%.

The House Appropriations Committee halted their proposal, House Bill 2731, after working the bill revealed little support for the measure. Like the Senate's plan, HB 2731 would revert back to using the old finance formula but would spend an additional \$38 million on schools. It would also transfer the \$17 million for extraordinary needs into the State General Fund, leaving a net fiscal note to the state of \$20.5 million. Committee members strongly opposed spending more money on schools while citing fundamental problems with the old funding structure. Chairman Ron Rychman (R-Olathe) said that leaders will begin working on a new plan next week.

The intent of both bodies is to answer the Court's demand for equity and ensure schools stay open this fall. The Senate plans to debate their bill before first adjournment.

Senate Overrides Governor's STAR Bond Veto

On Tuesday, the Senate voted 30-8 to override Governor Brownback's veto on the STAR bond provision in the budget bill that passed earlier this session. The provision prohibits any new STAR bond projects in Wyandotte County. Then on Thursday, the Senate passed 34-4 Senate Bill 474, which restricts the transfer of STAR bonds from one district to another – essential to the Governor being able to bring the American Royal over from Missouri. The Village West district in Wyandotte

County is nearly paid off and lawmakers are anxious to see that sales tax revenue back on the rolls rather than transferred to the American Royal project. Senate Bill 474 also authorizes the sale of the Kansas Bioscience Authority, which raises \$25 million in the Governor's budget, thus making the bill difficult for him to veto should it pass the House.

Senate Tax Committee Passes Property Tax Lid Bill

The Senate Assessment and Taxation Committee passed Senate Bill 316 on Thursday, which modifies property tax reform legislation passed last year. Rather than moving the effective date up from 2018 to 2016 as originally proposed in the bill, local governments were able to push the date back to January 1, 2017 before a public vote is required to increase property taxes higher than the rate of inflation. There was still disagreement amongst stakeholders on many of the exemptions that were removed from statute. A similar bill still in front of the House Taxation Committee, HB 2609, requires that at least 10% of registered voters would have to sign a petition before it could get put on the ballot. Via a procedural motion known as gut-and-go, the Senate committee inserted the contents of Senate Bill 316 into a house bill shell, HB 2088. It is scheduled for debate by the full Senate next week.

Anticipated Gaming Hearing Held

The House Appropriations Committee held a hearing Wednesday on House Bill 2537, which would modify the 2007 Kansas Expanded Lottery Act to allow electronic gaming machines at horse and dog racetracks in Kansas. It would also lower the tax rate on slot machines from 40% to 22% in an effort to help the Woodlands greyhound race track in Wyandotte County reopen. Opponents of the bill argued that the measure would break the 2007 agreement that promised no further electronic gaming expansion in Kansas and would require the state to repay each of the four state-owned casinos \$25 million in privilege fees and interest. Proponents testified that restoration of the horse racing industry would bring 4,400 jobs, \$290 million in wages and \$23 million in tax revenue to the state. No action was taken on the bill.

Looking Ahead

Both the House and Senate will spend next week on the floor and in conference committees negotiating legislation. The Legislature is scheduled to officially adjourn next Friday, but leaders hope to head home for the Easter weekend and April break a day or two early. Lawmakers will return to Topeka on April 27 for Veto session when they will finalize the budget and address outstanding business.