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March 25, 2016 Legislative Update

The Legislature adjourned for Spring Break late yesterday afternoon following a long week of debate and negotiations on the floor and in conference committees. Several bills were approved on final action and are awaiting the Governor's signature, including an overhaul of the juvenile justice system and K-12 funding plan for the upcoming school year.

School Equity Fix Ready for Courts

In less than 48 hours, both the Senate and House introduced, heard and debated identical bills in an attempt to address equity in K-12 school funding. Senate Substitute for House Bill 2655 passed yesterday on final action with 93 votes in the House and 32 votes in the Senate.

The bill only spends \$2 million in additional money on schools, but rather shifts distribution and equalizes the capital outlay and local option budget formulas. Proponents of the measure boast that the plan creates a similar property taxing effort across the state, narrowing the gap between the wealthiest and poorest districts through their local option budget. The bill also includes a hold harmless provision that ensures no district loses funding for school year 2016-2017, giving the Kansas Department of Education and the Legislature time to craft a new school finance formula moving forward.

The rushed process was in response to the Kansas Supreme Court's ruling last month that the funding passed last year in the block grant bill was constitutionally unequal. In the court's opinion was a deadline of July 1, 2016 before schools could potentially close. The Legislature's hired attorney and transcriptionist were in the Statehouse all week conducting official proceedings and creating a record as evidence for the court. However, should the bill not pass muster, lawmakers will be back at the drawing board during the Veto session.

Legislature Passes Comprehensive Juvenile Justice Reform Package

Yesterday, the Legislature passed the most extensive reform to the Kansas juvenile justice system in decades. Senate Bill 367 passed with overwhelming bipartisan support - the Senate 40-0 and the House 118-5.

SB 367 aims to decrease detention, incarceration and out-of-home placements of young offenders and rather invests in community-based educational, vocational and therapeutic programs. The plan is estimated to save the state \$72 million over five years, with a lockbox provision that ensures those savings are reinvested back into the program. Other key components of the bill include:

- New time limits on sentences, probations and case length for juvenile offenders.
- Graduated responses for youth offenders who violate technical conditions of probation.

- Written plans for offenders' re-entry to the community after incarceration.
- Creation of a 19-member juvenile justice oversight committee.

Property Tax Lid Compromise Negotiations Continue

The Senate passed Senate Substitute for HB 2088 by a vote 24-16 on Tuesday after five hours of debate on the floor. The bill modifies portions of a property tax reform package that was passed last year, including moving up the public vote requirement to January 1, 2017 before property taxes can be raised higher than the rate of inflation. It also gives local governments more flexibility on timing, allowing the vote to be held as either part of primary and general elections, special elections, or mail ballots.

Cities and counties have been negotiating a compromise all week with the Kansas Association of Realtors and Chamber of Commerce regarding a number of exemptions in the bill. However, talks were stalled in the tax conference committee late yesterday afternoon from confusion over one last issue – an exemption for the loss of assessed valuation due to legislative action, judicial action or a ruling by the board of tax appeals. The plan is to hammer out the final agreement during the Veto session.

STAR Bonds for American Royal Still at Play

On Wednesday, the House voted 97-24 to sustain Governor Brownback's line item veto of the Sales Tax as Revenue (STAR) bonds provision in this year's budget bill that prohibited any new STAR bond projects in Wyandotte County. The Senate last week voted 30-8 in favor of the override. Because the action requires a two-thirds majority in both the House and Senate, the Governor can continue to pursue moving the American Royal livestock show to Kansas from Missouri.

Also this week, the House Tax Committee held a hearing on House Bill 2738, which reforms the STAR bond program in Kansas and adds new requirements and procedures on issuance of bonds, including 50% requirement from private investment.

Senate Bill 474, the Senate's passed version for STAR bond reform, restricts the transfer of STAR bonds from one district to another. There was testimony in committee hearings stating that the transfer of bonds from the Village West district in Wyandotte County to the American Royal complex is essential to its viability. Critics say that that the \$42 million in sales tax revenue from Village West is ready to come back on the tax rolls and vital to the state's economic condition. Both bills are in front of the House Tax Committee and will be vetted during the Veto session.

Step Therapy and Disclosure of Public Records Still Pending

Yesterday's first adjournment deadline kept legislators on the floor for most of Wednesday and Thursday, preventing some conference committees from getting through many of their bills before the April break. Most notable are Senate Bill 341 in the health conference committee and Senate Bill 415 in judiciary.

SB 341 requires health care providers to follow a "step therapy" protocol when prescribing medications to Medicaid patients. The bill was amended in the Senate to allow patients to continue to receive physician-recommended medications prescribed before July 1, 2016 without going through step therapy first. SB 415 renews legislative review exemptions to the Kansas Open Records Act and includes a provision allowing publishing of certain charitable gaming information obtained in bingo licenses and several key insurance investigative reports.

Looking Ahead

The Senate Ways and Means and House Appropriations Committees will be meeting the week of April 20 after revised revenue estimates are announced for next fiscal year. Lawmakers are speculating that March revenues could be \$30 million below estimates and April revenues as much as \$150 million below expected. Then the real work begins on April 27 when the Legislature returns for the Veto session to compromise on bills left in conference, struggle to balance the budget, and potentially consider another solution to equalize school funding and keep doors open this fall.