

Bright and Carpenter Consulting, Inc.



825 S. Kansas Avenue, Suite 502C Topeka, KS 66612, www.brightcarpenter.com

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While we are one week away from First Adjournment, much business has yet to be done. Leadership has indicated that four things must happen to close out the session: 1) Passage of a recession bill, which was passed near the beginning of the session. 2) Passage of block grants for education funding, so that new formula can be developed. This was done two weeks ago and signed into law on Wednesday. 3) Passage of the state's budget, which was passed by the Senate on Wednesday and will be taken up in the House on Monday. 4) Passage of additional revenue to help balance the budget, which will not be discussed until veto session.

Budget

The Senate passed a budget on Wednesday on a vote of 26-13. The budget is about \$141 million short of being funded. The bill includes a \$3 million provision for the Legislature to procure "professional consulting services" for the evaluation of state government to find inefficiencies. An amendment was offered to remove this \$3 million, but the amendment failed. It also reduces \$4.6 million per year from KU for operating expenditures for two years and reduces \$2.1 million per year from KSU for two years for operating expenses. The "profile" of the budget shows an ending balance of \$70.2 million on June 30, 2016. This profile, however, assumes the Governor's Tax Plan is passed which will increase taxes by \$211.1 million.

The House had tentatively scheduled debate of their budget on Tuesday. However, it appeared by Monday that votes were uncertain for the Republicans. There were some concerns by conservative Republicans that the bill doesn't cut enough or balance. It would require a tax increase. Because the House decided to not run their budget this week, the Senate inserted the Senate budget into a House bill, HB 2135. That means the House can do one of two things on Monday when the chamber receives the Senate's budget: 1) Concur with the Senate budget and send it straight to the Governor's desk, meaning House members would not have the opportunity to offer amendment. 2) Nonconcur with the Senate's budget and send the bill to a conference committee where three senators and three representatives will negotiate over it.

One possible revenue increase mechanism is a bill that would authorize a \$1.5 billion KPERS bond issue. It passed the House 67-57. It would reduce short-term government spending on pensions.

Taxes

All of the tax items are expected to be discussed during veto session. All hearing have been held on tax bills and now the committees will try and come to resolution on what will best fill the budget hole and what will gain the adequate number of votes in both the House and the Senate. Still in play are all items already discussed but some consensus is forming around the Governor's tax proposals—

cigarette and alcohol taxes, freezing the income tax rate, the speed up of the deduction phase out, general sales tax increase, fuel tax increase.

This week the Senate Tax Committee held a hearing on SB 233, the Governor's cigarette and alcohol tax increases. The committee also heard testimony on SB 234, the Governor's other revenue raising proposal, including near-freezing of rates and eliminating more of the itemized deductions sooner.

School finance

The Governor signed the controversial school block grant bill on Wednesday in a private ceremony. It eliminates the current school finance formula from law and puts a two-year system of block grants into place while a new formula is developed.

Also this week the Senate Education Committee held two days of hearings on Senator Steve Abram's pilot school finance proposal. Testimony was mixed, with some school officials in favor of the legislation. It would start with six school districts and expand over two year. The plan includes six categories of state aid to K-12 public education: enrollment state aid, poverty state aid, sparsity state aid, success incentive state aid, state equalization aid, and KPERS employer contribution. The two concerns seem to be a lack of funding for students from non-English speaking families and the difficulty in tracking graduated students to gather information on the success state aid category. Sen. Abrams stated he would like everyone to have an opportunity to digest the bill, speak with interested parties, and possibly return for further discussion in the committee setting.

Lawyers for the plaintiffs in the Gannon v. Kansas school finance case Thursday asked the three-judge panel hearing the case to prevent the state from enforcing the new school block grant funding bill signed into law Wednesday. The motion asks the three-judge panel essentially to freeze the bill or law until the upcoming May 7 hearing on motions in the case which is now dealing with the adequacy of state funding for K-12 schools. That three-judge panel two weeks ago issued an order saying that plaintiffs or the state—or the court under its own authority—could “elect to impose such temporary orders to protect the status quo and assure the availability of relief, if any, that might be accorded.”

Attorney General Derek Schmidt said, “We will continue to defend the school finance law as written, and now rewritten, by the people of Kansas, through their elected representatives. We will make our defense in the courts.”

Governor has noted that there are school districts waiting for about \$28 million in funds he withheld from them through the allotment process, and he complimented the Legislature for restoring those funds in the bill he signed into law. The court has taken no official action.

Public Employees Relations Board

A bill to eliminate the Public Employee Relations Board and disallow payroll deductions for union dues, HB 2096, has been removed from Senate General Orders and sent back to committee. There was disagreement over whether state workers and school district employees should be allowed to deduct charitable contributions from their paycheck, particularly the United Way. Senator Garrett Love offered an amendment to restore checkoffs for charitable and nonprofit institutions, but it failed on a vote of 17-19.

In addition, a bill concerning professional negotiations, HB 2326, was killed by the Senate on a 13-27 vote. It would have revised the Professional Negotiations Act concerning negotiable items, and provisions related to fact-finding when there is an impasse. It would have reduced the scope of negotiations between school districts and teacher unions to essentially just salary and hours, with provisions for a few optionally negotiable items.

Unemployment insurance

Unemployment insurance reforms are moving forward and are now in conference committee. SB 154, which revised the UI system, passed the House 99-26. The bill changes the calculation of maximum weekly benefits for the unemployed, as well as the UI taxes paid by employers. The proposal moves from an “arrayed” system to a “fixed” system, based on an employer’s experience rating that reflects their usage of the unemployment system.

New legislator

Rep. Greg Lewis was sworn in today as the newest member of the House. He was elected March 12 by Republican Party officials for House District 113. He replaced Rep. Basil Dannebohm, who resigned his seat for health reasons.

Next week

Legislators will return Monday to work toward First Adjournment on Friday. Typically, most committees are done meeting by Monday. Non-exempt bills have passed both chambers, and legislators will now spend the week working out differences in Conference Committees. Conference Committees are made up of the Chair, Vice-Chair and Ranking Minority members of each chamber. Differences in the bill are discussed, and these six individuals try to reach an agreement. Once the occurs, they create a Conference Committee Report (CCR). The CCR is then voted on by both chambers for approval or disapproval (no amendments are allowed). Legislators will adjourn Friday, April 3, and return the last week of April for veto session.