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March 4, 2015 Legislative Update

The Legislature returned from their weeklong, unpaid recess on Wednesday to officially start the second half of the 2016 legislative session. Committees held several hearings and continued to work bills, but much focus was on the new \$50 million budget shortfall after lower-than-expected February revenues came out on Tuesday afternoon. Otherwise, with pro forma sessions today, it was a short and relatively quiet week with a few notable items detailed below.

Low February Revenues Create Budget Shortfall

Late Tuesday afternoon, the Department of Revenue announced that February receipts were \$56.7 million below estimates. The \$6 million estimated ending balance for fiscal year 2016 in Senate Bill 161 – this year's budget bill that passed both the House and Senate and awaits the Governor's approval – now reflects a \$50 million deficit.

Hours after revenue numbers were released, Governor Brownback called for a 3%, or \$17 million, cut to regents institutions this fiscal year. He has until close of business today to line-item veto the budget bill before it automatically becomes law. However, the final Omnibus appropriations bill will be worked during the Veto session and after Consensus Revenue Estimates are announced on April 20.

Kansas Bioscience Authority Moves toward Privatization

A hearing was held Wednesday in the Senate Ways and Means Committee on Senate Bill 474, which authorizes the state finance council to oversee the sale of the Kansas Bioscience Authority (KBA) and its assets. Kevin Lockett, president of the KBA in Olathe, was the only conferee and proponent of the bill, explaining to the committee the timeline of events that led to the decision to privatize, the status of the sale to private market, and essentially requesting approval from the Legislature to move forward. He assured committee members that their ideal buyer will keep the KBA's portfolio companies in Kansas and that all liabilities will be paid. The Governor has budgeted \$25 million from the KBA sale into the State General Fund for fiscal year 2017. No action was taken on the bill.

Bill to Oversee Refugee Resettlement in Kansas

After two hearings last month, House Bill 2612 passed by a vote of 12-10 from the House Federal and State Affairs Committee yesterday. The bill would allow local governments to apply for a one-year moratorium, through public forum, of refugee resettlements if they feel their absorptive capacity has been met. The Governor then has authority to suspend resettlement activity in the community until sufficient capacity has been restored. It also creates a state office for refugees and requires the Governor to appoint a State Refugee Coordinator to meet with local governments to plan and oversee placement of refugees.

A \$1.4 million fiscal note includes salary costs and the creation of a database for the coordinator to gather and report statistical and program activity to law enforcement and state and local governments. Committee discussion ranged from upholding values of faith, to protecting Kansans' security, to the vetting process of refugees. The bill is now in front of the full House of Representatives awaiting debate and could be used as a vehicle for other immigration reform initiatives.

Legislature Looks to Limit Government Bonding Authority

A hearing was held on House Bill 2703 in the House Appropriations Committee yesterday. As previously reported, the bill limits the authority of state agencies to enter into indebtedness on behalf of the state, relating to the issuance of bonds by the Kansas Development Finance Authority (KDFA). Conferees included the Kansas Department of Administration, Kansas Board of Regents and the KDFA. We expect to see several proposed amendments to the bill that include exempting the KU Hospital Authority, addressing Public Private Partnership debt limits, and allowing universities to continue to receive gifts. The committee will work and take action on the bill sometime next week.

Supreme Court Strikes Down Property Tax Law

By a 5-2 vote, the Kansas Supreme Court last Wednesday struck down a state law that granted a two-year moratorium from any property tax increases to those that successfully challenged their appraised valuation. The Court deemed the law unconstitutional because it protected some tax payers from annual appraisals and shifted their reduced tax burden to other properties. The Legislature's intent when they passed the law two years ago as part of a broader property tax reform bill, was to provide relief to those that incurred expense for the appeal and to prevent retaliation through increased valuations the following year. The lawsuit was filed last year by 21 boards of county commissioners against the state. The ruling was issued before the March 1 deadline to notify property owners of their upcoming valuations.

In response to the ruling, a provision was added to this year's House Bill 2714, which was introduced in the House on Wednesday. The bill deals with property tax valuation methods and would move all Kansas property to a two-year appraisal process. A hearing on the bill is scheduled for next Tuesday.

Looking Ahead

Committees return on Monday and will be busy hearing and working bills over the next two weeks. March 21 is the deadline when all bills must be passed out of the second Chamber. We also expect to see several new bills introduced in exempt committees – not restricted by deadlines – that address some of the top 21 efficiency study recommendations.