



# **Bright and Carpenter Consulting, Inc.**

825 South Kansas Ave, Suite 502, Topeka, KS 66612, 785.213-0185, [www.brightcarpenter.com](http://www.brightcarpenter.com)

## **March 6, 2015 Legislative Update**

Like Tuesday evening's KU game, it is a good thing there is a second half and an overtime—both in basketball and the legislative session. Following Turnaround last Friday, legislators returned from a short break on Wednesday focused on completing the big issues before First Adjournment comes on April 3. We have now entered the session's second half. (Veto session is our overtime.) Legislators are facing major issues to deal with—school finance and the budget are the top priorities. The next deadline is March 25 in which bills are no longer considered in committee and must pass both chambers. Today is a pro forma day as the Democrats gather in Topeka for their annual Washington Days event beginning Friday evening.

### **Cultural Arts District**

A hearing was held on HB2368, which provides for the establishment of arts and cultural districts. These districts are defined as developed districts of public and private uses that can be established within the boundaries of cities for the purpose of increasing awareness and support for the arts and culture. The bill would allow cities to grant a property tax credit for ten years. The tax credit would be based on the base year assessed valuation. The bill would prohibit granting tax credits on privately owned property that is subject to property taxes if the board of county commissioners or board of education levying taxes on the property determines that granting the credits would have an adverse effect on the county or the school district. An impressive array of testimony from around the state left a favorable impression on the House Federal and State Affairs Committee. Chairman Rep. Steve Brunk, R-Wichita, said he would seek a committee vote on the bill in a timely fashion. The bill needs some major tweaking to reach constitutional status, according to the Revisor's office, but the outcome should be attainable with some language adjustments.

### **Public funds for lobbying**

The Senate Elections/Ethics Committee sent this week to the full Senate a bill that would require lobbyists to file apparently separate reports showing how much money they spent lobbying on behalf of virtually any unit of government in Kansas. The measure would allow legislators and the public to learn virtually every dollar of tax-derived funds spent on lobbying, a significant issue among some conservative legislators.

### **School board elections**

On Thursday the House Education Committee held a hearing on House Bill 2345, which would prevent anyone employed by a school district or the Department of Education from being elected to a local school board. It also prohibits any school employee's spouse, sibling, parent, or roommate from running for a school board. This bill seeks to unnecessarily limit who is eligible to run for school board and could potentially disqualifying competent candidates.

### **Budget**

Budget committees continued to work through subcommittee budget reports. The most controversial report this week was a Senate subcommittee report on postsecondary education system and cutting money from the state's largest universities. It would cut \$9.4 million from KU and add over \$7.4 million to KU Med Center in Wichita to expand its program in that area. It also would divert \$2 million to medical student scholarships. Senator Laura Kelly opposed the subcommittee's adjustments, arguing lawmakers were selective targeting

KU, Wichita State University and Fort Hays State University are held harmless. FHSU would be authorized to use \$30 million in special-revenue funds to build a new art department building and an Institute of Applied Technology. The subcommittee also recommended removal of \$2.5 million in back-to-back years from budgets at Kansas State University. At the same time, Pittsburg State University would gain \$1 million in each of the fiscal years. The subcommittee, which had four Republicans and one Democrat, subtracted \$250,000 from the operating budget of the Kansas Board of Regents, which has jurisdiction over universities, technical schools and community colleges. That piece of the higher education pie was earmarked for Washburn University in Topeka. It also increases to \$18 million an appropriation to the Board of Regents for support of students attending private and public schools. That would amount to a \$2 million hike.

### **Taxes**

The House Tax Committee held a hearing this week on the Governor's plan to alter the income tax cuts and to speed up the phase-down of itemized deductions, HB 2307. It allows for a slight decrease in the bottom bracket of the individual income tax rate, but halt additional cuts unless state revenue blossomed. It would establish a system whereby revenues up to 103 percent of the previous year's total would be set aside in either a tax reduction fund or rainy day fund. Opponents asked committee members to first look at reducing spending before raising revenue through tax hikes, while education supporters endorsed revenue enhancements to provide more funding to K-12 public schools. HB 2307 would generate about \$100 million each year. The governor also is keen to raise an estimated \$30 million through a tax amnesty program and wants to score \$50 million by moving up by two years a reduction in itemized deductions. Chairman Marvin Kleeb said the tax committee wouldn't take up revenue enhancement legislation until May. Decisions about tax reform must await the April state revenue update, which could influence how lawmakers handle a projected \$600 million deficit in the fiscal year starting July 1, he said.

### **School finance**

House and Senate budget chairs announced this week the block grant program for state school districts will increase funding by \$300 million over the next two school years, but most of that increase will be the state taking credit for KPERS payments that it now makes. They also said their block grant bill will eliminate virtually all restrictions on district spending save for bond and interest, special education and some administrative retirement funds. This proposal will cost a little more than the Governor budgeted, but apparently not much. Districts will get to continue to levy Local Option Budget and some specialized mill levies at current rates, and the plan includes some new and unexplained proportional equalization of LOB monies by the state. It will give districts broad new authority to shuffle money to meet student needs. The plan does include a roughly \$4 million-a-year "extraordinary need fund" for districts with unanticipated costs during the two-year block grant period. Districts would make their case for money from that fund by petitioning the State Finance Council.

### **Gaming**

In a Senate hearing this week for SB 192, horse racers, breeders and ranchers sought legislative support for reopening the Woodlands Racetrack in Wyandotte County as a means of inspiring resurgence of horse racing in Kansas. The bill would lower the state's tax on slot machines operating at a horse track from 40% to 22%. Proponents of the legislation argued a racetrack couldn't afford to stay open with the current Kansas tax rate. A study by Oxford Economics found the gaming industry contributed more than \$672 million to the Kansas economy and supported an estimated 4,000 jobs.

### **Coming up**

Next week will be week 9 of session and a little over two weeks before all bills not acted upon are dead. It was interesting to see the introduction of a bill that looks ahead to Day 90—a measure was introduced that not only cuts off legislative pay on Day 90 of this session, but which cuts off subsistence payments for lawmakers on Day 95. May 12 is the scheduled 90th day, when lawmakers lose their \$88.66 pay, and Day 95 (May 17?) is when lawmakers would lose their \$123 a day subsistence pay.