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March 24, 2017 Legislative Update

Kansas lawmakers are beginning to gain traction on some key policies as they approach first adjournment on April 7. While budget and school finance dominated the week, some are saying that any real movement on a tax revenue package is expected to hold off until Veto Session.

Rescission Bill in Conference

The first conference committee of the year began meeting yesterday on **Senate Substitute for Substitute for House Bill 2052**, the rescission bill, which reconciles this fiscal year's budget in the black. The Chair, Vice Chair and Ranking Minority Member from both the Senate and House budget committees began ironing out differences between their proposals with little contention thus far.

Negotiators have agreed on the key measure of the bill, which borrows just enough from the state's long-term investment fund to leave an ending balance of \$50 million on June 30, 2017 with the six-year repayment beginning in FY19. One remaining item of difference surrounding repayment to the Kansas Public Retirement System (KPERs) may be saved for Omnibus, the catch-all spending bill at the end of session.

The budget conference committee is scheduled to meet again today and expected to come to a final agreement before heading home for the weekend.

Senate Advances Biennial Mega Budget

The Senate Ways and Means Committee kicked out their biennial budget for FY18 and FY19 yesterday. **Substitute for Senate Bill 189** looks little like what the Governor proposed in January and rejects some of the major provisions in his plan including: securitizing future tobacco settlement revenue, freezing state contributions to KPERs at FY16 levels, requiring joint procurement on goods and services, consolidating school health benefit plans, creating a rural teacher scholarship program, creating a KU Med Dental School, and merging some state agencies.

The key addition was combining with the judicial branch's budget – which had been separated from the state's mega budget in recent years – and using their requested enhancement for salaries and giving a 2% raise across the board to all state employees, totaling \$22 million.

The committee also amended the bill to reduce the rate increase for Medicaid Home and Community Based Services from 5% to 3% in FY18 and reduced funding for safety net clinics from \$1.5 million to \$500k in both FY18 and FY19.

Assuming additional tax revenue from what Senate leaders think could pass, Sub. for SB 189 leaves an ending balance of \$254 million in FY18 and \$238 million in FY19 as it stands today.

Senate leadership plans to run the bill on the floor next week. The House Appropriations Committee began deliberations on their mega budget plan, **House Bill 2364**, on Tuesday and will continue working it today.

School Finance Formula Introduced

A new school finance bill was officially introduced in the House on Wednesday and is expected to be the one used as a starting point for debate on what eventually becomes the new K-12 funding formula in FY18. **House Bill 2410** resembles the old formula replaced by the two-year block grant system expiring on June 30 and adds an additional \$75.6 million in state funds. Legislators are still analyzing the complexities, but here is a summary of some of the major provisions provided by the Kansas Department of Education:

- Base aid per pupil would increase from \$3,852 to \$5,320, with 80% coming from the state (\$4,170) and 20% (\$1,150) from local property taxes.
- School boards could raise additional funds for extracurricular activities and local enhancements.
- Declining student enrollment over 5% would reduce funding to 95% from the previous year.
- All enrollment weightings will be reduced 3.5%.
- All-day kindergarten will be fully phased in by 2018-19.
- Vocational weighting will be eliminated and \$100 per full time student equivalent (FTE) would be paid from the SGF for funding vocational education.
- Virtual state aid and at-risk weighting remain as current law.
- High-density and bilingual weightings are included.
- Transportation aid is reduced by \$4.3 million based on Legislative Post Audit recommendations.
- Ancillary facilities weighting has been renamed “new school facilities weighting” and will remain the as current law.

The House K-12 Budget Committee began their hearings on HB 2410 yesterday and will continue through Monday. Chairman Larry Campbell (R-Olathe) would like to see his committee work the bill next week, kicking it out by Thursday.

Medicaid Expansion Passes Senate Committee

The Senate Public Health and Welfare Committee passed by a vote of 6-2 **House Bill 2044**, which expands Medicaid under the Affordable Care Act to over 180,000 uninsured Kansans who are under 65, not pregnant or disabled, and under 133% of the federal poverty level. After Kansas receives \$1.5 billion in federal funds, the program is estimated to cost \$26 million in FY18 and \$57 million in FY19.

HB 2044 is expected to pass the full Senate as early as Monday. Having passed the House 81-44 last month, the question will be whether each Chamber has veto proof majorities should Governor Brownback reject the bill - which he has consistently opposed.

Hospital Conceal Carry Exemption Still Alive

The Senate Ways and Means Committee held a hearing on **Senate Bill 235**, which would exempt public hospitals, mental health centers and nursing homes from impending law starting on July 1 that would allow conceal carry in all public buildings without adequate security (metal detectors, armed security guards).

An issue that seemed dead earlier in the session was revived when Chairwoman Carolyn McGinn (R-Sedgwick) introduced a bill last week prohibiting conceal carry in the four state hospitals, Larned, Osawatomie, Parsons, and the Kansas Neurological Institute. The Kansas Department of Aging and Disability Services testified during the hearing that it would cost up to \$25 million to install security measures at all entrances to the hospitals. That fiscal not alone was enough to raise Legislators' brows to the issue one more time.

In a procedural maneuver known as a "gut and go," the Ways & Means Committee stripped the contents of an unrelated bill and inserted language from SB 235. The new bill, **House Bill 2278**, is expected to advance out of the committee today.

House Committee Approves Renewal of STAR Bonds

The Sales Tax As Revenue (STAR) Bond program received initial approval from the House Appropriations committee on Wednesday and is now headed to the full House.

House Bill 2184 renews the program until July 1, 2022 and eliminates language allowing a county commission or school board to protest a proposed STAR Bond project if determined to negatively impact property tax revenues. The bill also no longer requires the Secretary of Commerce to approve a city or county to use transient guest tax toward bond payments.

STAR Bonds provide Kansas municipalities the opportunity to issue bonds to finance the development of major commercial, entertainment and tourism areas and use the sales tax revenue generated by the development to pay off the bonds.

Expanded Gaming Bill Receives Budget Hearing

The House Appropriations Committee held a hearing on **House Bill 2173** yesterday, which would modify tax law to allow slot machines at horse and dog tracks in Kansas at a reduced rate from 40% to 22%.

In 2007, the Kansas Expanded Lottery Act created four "gaming zones" and authorized the Kansas Lottery to manage one gaming facility in each zone. Several casinos paid privilege fees to be the sole gaming facility in their region. Opponents argue that the bill would be in violation of current law and

its contracts with the casinos, and the state would be obligated to repay \$61 million in privilege fees, plus \$50 million in interest.

HB 2173 narrowly passed the House Federal and State Affairs Committee last month, but appropriators held their own hearing to address the potential fiscal impact to the state.

Looking Ahead

Today marks the final day for non-exempt committees to meet and consider legislation for the year. Legislators will be on the floor all next week debating bills, while conference committees are scheduled to meet the week following. First adjournment is currently set for April 7, but statehouse buzz is that the Legislature could break a few days early. Without many bills passed and in conference yet, leaders might prefer saving some days for the hard work that's expected during the Veto Session.