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March 31, 2017 Legislative Update

Lawmakers spent most of this week debating bills on the floor, while non-exempt committees met intermittently as needed. Yesterday was the last day for bills not “blessed” by the Speaker or Senate President to be considered in either chamber. The Legislature is not in session today.

Conference Committee Agrees to Rescission Bill

Leaders from the House and Senate budget committees met this week to hammer out differences between their respective rescission bills for FY17. After a few rounds of negotiations and give and take from both sides, they came to a final compromise on Tuesday that leaves \$50 million in the state coffers on June 30.

The projected \$280 million hole is primarily filled using money from the state’s unclaimed property investment fund – to be paid back over six years starting in FY19 – and continuing to delay some scheduled payments to KPERS. **Senate Substitute for Substitute for House Bill 2052** awaits final consideration by both chambers next week.

Mega Budget Bills Passed

The Senate passed their mega budget for FY18 and FY19 by a vote of 25-15 yesterday. Ways and Means Committee Chairwoman Carolyn McGinn (R-Sedgwick) was successful in amending the bill on the floor to further reduce KPERS payments until revenue projections firm up. With no tax plan passed yet to balance expenditures, **Substitute for Senate Bill 189** leaves the state \$268 million short in FY18 and \$280 million in FY19.

The House Appropriations Committee spent seven days working their budget proposal, **Substitute for House Bill 2364**, before passing it out yesterday by a vote of 15-6. Like the Senate’s measure, it rejects most of the components from the Governor’s proposed budget and holds off major spending until the Veto Session. Without more revenue, the bill leaves a deficit of \$248 million in FY18 and \$237 million in FY19.

The full House will debate their bill next week. Then differences between the House and Senate versions will be negotiated in conference committee. Two things to note – the House plan does not include a 2% raise for state employees at this time, and neither bill cuts spending to K-12 or higher education.

Tax Plans Still in Limbo

The House and Senate Tax Committees are continuing to consider all options on how to fill the budget holes for FY18 and FY19.

This week, the House Tax Committee reluctantly passed out a single tier, 5% “flat tax” bill, effective January 1, 2018, that also reduces the tax on food from 6.5% to 5%. Initial estimates show **Substitute for House Bill 2395** to raise \$373.7 million in FY18 and \$472.7 million in FY19.

Other components of the bill include taxing business pass-through income retroactive to January 1, 2017, repealing the “March to Zero” income tax-lowering trigger, allowing medical expenses to be deducted at 100%, and increasing standard deductions from \$3,000 to \$7,500 for individuals and from \$7,500 to \$15,000 for married filers. The food sales tax reduction would not go into effect until January 1, 2019 and would not apply to alcoholic beverages, tobacco, candy, dietary supplements or soft drinks.

The House bill awaits debate by the full Chamber next week. Meanwhile, the Senate Tax Committee is also considering a “flat tax” bill of 3.5% based on the federal adjusted gross income and will continue their discussions on Monday.

Governor Vetoes Medicaid Expansion

KanCare expansion took center stage this week, beginning with the Senate’s 25-14 vote on Tuesday to send **House Bill 2044** to the Governor. Governor Brownback has consistently been opposed to expanding Medicaid under the Affordable Care Act and vetoed the bill yesterday morning. Minutes later, the House attempted to override his veto but voted 81-43 to table the discussion until Monday.

It was a good move for expansion proponents, giving them time to rally the troops and heavily lobby lawmakers over the three-day weekend. Both chambers are close to having veto-proof majorities on the issue. The House needs 84 votes, the Senate needs 27.

School Finance Formula Taking Shape

The House K-12 Budget Committee spent over eight hours yesterday working the school finance funding formula bill and will continue tweaks to the measure on Monday. The committee adjourned at 8:30 p.m. last night.

While the specifics are still being analyzed, the plan closely resembles the pre-block grant funding formula with an additional \$150 million. Although the Kansas Supreme Court did not specify a dollar amount needed to satisfy constitutional adequacy in their most recent ruling, it’s been reported that the consensus of the committee is to increase state funding by \$150 million over the next five years.

Here’s what else we know about **House Bill 2410** so far:

- \$4,170 base state aid per pupil, up from \$3,852 two years ago.
- Weightings for additional funding to target at-risk, lower-performing students.
- Fully funds all-day Kindergarten, additional funding for low-income preschool programs.
- \$800k for teacher mentoring and \$1.7 million for teacher professional development.
- Local option budget authority for districts to raise additional funds for enhanced programs without public vote.

The bill is expected to run on the House floor sometime next week before being considered by the Senate’s Select Committee on Education Finance.

Expanded Gaming Debate Continues

Proponents of expanding gaming in Kansas took another shot yesterday, this time through a floor amendment on a related lottery bill. Senator Steve Fitzgerald (R-Leavenworth) proposed lowering the tax on slot machines at racetracks from 40% to 22%, the same rate paid by the state's four casinos.

Fitzgerald and other supporters argued that the lower rate would ensure the reopening of the Woodlands greyhound park and further spur economic development in Wyandotte County. Several Senators spoke in opposition during the debate, reemphasizing concerns around the state's potential breach of contract with the casinos and liability to repay \$111 million in privilege fees. It was also refuted that Woodlands owner and billionaire, Phil Ruffin, can open the Woodlands right now and does not need a tax break to do it. The amendment failed, 17-22.

Senate Advances Sanctuary Cities Bill

The Senate Federal and State Affairs Committee passed a bill on Monday prohibiting "sanctuary cities" that harbor illegal immigrants and would remove state funds to any city or county that adopts such policies. There is a fiscal note to implement the bill, which could limit broader support on the measure this year. **Senate Bill 158** awaits consideration by the full Senate.

Amusement Park Regulation Bill Passes House

The House passed **House Substitute for Senate Bill 70** yesterday, which would enact law and amend the Kansas Amusement Ride Act and the Amusement Ride Insurance Act by making changes to permitting, registration, injury reporting, death of patrons, insurance, inspections, testing, violations, and more. The body amended the bill to remove the requirement for ride inspections to be paid by the insurance company.

Before the vote, Representative Scott Schwab (R-Olathe) gave an emotional speech, remembering his son who was killed on an amusement park ride last year. The House will take final action on the bill on Monday. It will then move to the House and Senate Federal and State Affairs Conference Committee.

Common Consumption Area/Entertainment District

The House has initially approved **House Bill 2277** yesterday. This would allow alcohol to be taken out of bars or restaurants into a common consumption area to be defined by the local government. An amendment was made on the House Floor to allow more than one district in a locality. This would allow local governments to approve a Power and Light type district in their communities. Final Action on the measure will be taken on Monday and then the bill will go to the Senate for consideration.

Looking Ahead

Conference Committees are scheduled to meet next week, while the House and Senate will continue to churn through bills on the floor. Leaders are hoping to see significant action on the biennial budget, tax revenue package and school finance formula before first adjournment next Friday. Legislators return to Topeka for the Veto Session on May 1, where their main task will be to pass the final, catch-all "omnibus" budget bill based on the consensus estimating group's revenue announcements on April 20.