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May 19, 2017 Legislative Update

The Kansas Legislature is not much closer to adjournment, unfortunately, with little advancement on major tax policy or budget issues this week. However, we did see movement on school finance as the House K-12 bill was voted out of committee on Monday and a new Senate education plan was introduced on Wednesday. Some are hoping that the Senate's measure with targeted funding could be the kick start needed to finish the rest of the work for the year. Today marks the 95th day of the 2017 Legislative Session.

Negotiations Stalled on Full Repeal of 2012 Tax Cuts

The House and Senate Tax Conference Committee met late yesterday to discuss a full repeal of the income tax cuts passed in 2012. However, negotiations stalled after Senators refused to have simultaneous floor debates and votes and requested the House consider the measure first.

In addition to bringing small business non-wage income back on the tax rolls and eliminating Governor Brownback's glide path to zero, the plan would also increase rates on all income taxpayers in Kansas. Joint filers would pay 3.5% on income under \$30,000 (currently 2.7%), 6.25% on income under \$100,000 (currently 4.6%), and creates a top bracket of 6.45% on income over \$100,000. The measure would also partially increase rates retroactively for tax year 2017.

Returning to pre-2012 rates would raise state revenue by \$649.5 million in FY18, \$722 million in FY19, \$781 million in FY20, and \$791 million in FY21. More than enough to fill the budget shortfall, it's still not clear if it's enough to cover additional investment in K-12 education as well.

Senate Hearing on Sales Tax Exemption Repeal, Reduction on Food

The Senate Assessment and Taxation Committee held two days of hearings this week on a bill that would repeal several sales tax exemptions on personal services. House Bill 2380 would save the state roughly \$58 million in FY18 and FY19 and uses the revenue to buy down sales tax on food from 6.5% to 5.5% effective in FY2020.

As currently written, the repealed sales tax exemptions in the bill are on the following personal services: towing, detective services, security guards and patrol services, non-residential cleaning, pet daycare, mini and self-storage and collection agencies. Non-profit, public gym memberships (to include YMCAs) are not included.

Bill author Representative Kristey Williams (R-Augusta) testified during the hearing that additional sales tax exemptions are being considered, bringing the total savings to \$162 million. Kansas currently has \$6.2 billion worth of sales tax exemptions on the books. Committee Chairwoman Caryn Tyson (R-Parker) has not indicated when, or if, the committee will work the bill. It passed the House by a vote of 78-42 on Monday.

House Committee Reluctantly Forwards K-12 Bill

After months of hearings and work on a new school finance formula to replace the expiring block grant on June 30, the House K-12 Budget Committee passed Substitute for House Bill 2410 on Monday. The official motion was to report the bill without recommendation and was approved by a vote of 10-6.

Originally including \$150 million/year over the next five years in additional state aid toward schools, the funding was reduced at the last hour to \$180 million in FY18 and \$100 million in FY19. The increase in the remaining years of the five-year plan would be based on the cost of living index.

House Speaker Ron Ryckman Jr. (R-Olathe) announced on Wednesday that Sub. for HB 2410 would be subject to the “pay-go” rule, requiring any appropriation be off-set by a matching decrease in spending in the same bill. The rule can be challenged on the floor, but it appears the Speaker’s designation could have stalled debate, as the bill remains below the line on General Orders.

Senate Introduces New School Funding Formula

The Senate’s Select Committee on Education Finance introduced their own school finance formula, Senate Bill 251, on Wednesday. Key to the bill is that it includes a utility surcharge funding mechanism that raises \$150 million per year dedicated to schools.

The proposed fee on all utility bills (water, gas and electric) would be \$2.25 for residential and \$10 for commercial, effective July 1, 2017. Chairman Jim Denning (R-Overland Park) argues that the surcharge on utilities is the broadest fee in Kansas, and including specific appropriation in the bill will show the Supreme Court that the Legislature is serious about funding schools and not relying on sometimes-volatile tax revenue from the State General Fund.

Other key differences between the Senate and House plans include:

- Capital outlay levy is increased from eight to ten mills and expands approved expenditures to property and casualty insurance and computer maintenance.
- Prohibits local tax abatement of 20 mill statewide levy toward future economic development projects.
- Includes cost of living weighting but removes Local Excellence Budget option for some districts.
- Reduces at-risk weighting to previous formula level.
- Removes funding that requires districts provide Applied Behavior Analysis treatment for students with autism.

The committee began hearings on SB 251 yesterday and is continuing to receive testimony today. The major opposition to the bill is from utility companies opposing the surcharge to their customers. The Chair has said he would like to work the bill as early as tomorrow.

Guns at Hospitals Bill Back to Committee

After nearly two hours of debate on Tuesday, the Senate voted to send Senate Substitute for House Bill 2278 back to the Senate Ways and Means Committee for more work.

The bill would exempt state or municipal-owned medical care facilities and adult care homes, community mental health centers, and all buildings associated with the University of Kansas Medical Center from impending law starting on July 1, 2017 that would allow conceal carry in all public buildings without adequate security.

Senator Ed Berger (R-Hutchinson) proposed an amendment to the bill that allows licensed conceal carry for state hospital employees only, which narrowly passed 21-19. Senator Barbara Bollier (R-Mission Hills) attempted to exempt state universities as well but was interrupted by a substitute motion to refer the bill back to committee for further consideration.

The Kansas Department of Aging and Disability Services (KDADS) has said it will cost \$12 million to hire and train armed security guards and install metal detectors at every entrance of the four state mental hospitals should this bill not pass. There is talk that the interested parties from KDADS, National Rifle Association and KU Hospital are in negotiations with Governor Brownback on a potential compromise.

Senate Approves Lottery Vending Machines

The Senate adopted the Conference Committee Report on House Bill 2313 by a vote of 21-16 yesterday. The bill amends the Kansas Lottery Act, allowing the use of lottery ticket and instant bingo vending machines in retail stores across Kansas. Revenue from vending machine sales is to be transferred to community crisis stabilization centers within KDADS. The transfer is capped at \$4 million in FY18 and \$8 million/year through FY22.

The bill also establishes the Debt Set-off Program, requiring gaming and racetrack facility managers to check and withhold any outstanding child support payments from winning prizes. Other provisions include restrictions on underage purchasing of lottery tickets and abolishment of the Kansas Lottery sunset, currently set for July 1, 2022.

The conference committee report was agreed to by the House and Senate Federal and State Affairs Conference Committee on Monday and is awaiting final approval by the full House before making its way to the Governor for signature.

Common Consumption Areas Approved by Senate

The Senate approved a bill on Tuesday by a vote of 35-5 that would allow adults to carry drinks into public common grounds and sidewalk areas. Substitute for House Bill 2277 authorizes a city or

county to establish one or more “common consumption areas” by ordinance or resolution, designate the boundaries, and establish times during which alcoholic liquor can be consumed.

The bill passed with two minor amendments, so a conference committee will be appointed to negotiate final differences between the House and Senate positions. The House passed the bill by a vote of 114-11 last month.

Amusement Park Bill Implementation Delay Considered

The House Federal and State Affairs Committee approved a clean-up bill late last week that would delay implementation of a new law regarding amusement park ride inspections set to go into effect on July 1, 2017. House Substitute for Senate Bill 86 gives the Kansas Department of Labor and amusement parks until July 1, 2018 to comply with the new rules and regulations.

Governor Brownback signed into law earlier this year a bill that required amusement park rides be inspected annually by a qualified, outside inspector. It also amended the Amusement Ride Act and Amusement Ride Insurance Act by making changes to permitting, registration, injury reporting, death of patrons, insurance, testing, violations, and more. The bill is expected to be considered by the full House next week.

Josh Svaty Announces Democratic Run for Governor

Josh Svaty (D-Ellsworth) announced his 2018 candidacy for governor on Tuesday. Svaty, 37, was former Kansas Secretary of Agriculture under Governor Mark Parkinson and a House Representative from 2003-2009. Most recently, he served as a senior advisor for the Environmental Protection Agency and vice president of the Land Institute. He also owns and operates a family farm in Ellsworth County.

Looking Ahead

The Senate gaveled in this morning at 8:00 a.m. and quickly broke for the Select Committee on Education Finance to continue hearing testimony on their K-12 funding bill. There is a chance they will work the bill tomorrow. The House considered one item on General Orders today but adjourned for the weekend before noon.