

# *This Week* **in Topeka**

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**Overland Park Chamber**

*Business, Economic Development & Local Government News  
from the Legislative Session Week of January 23-27, 2017*

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The committee work continued to be dominated by briefings and other informative and educational presentations, although we began to see more hearings and even some bills being worked as the legislature seems to be moving more quickly than is typical, especially for a session following an election in which so many new members were selected.

**Guns on Campus.** The Senate Federal and State Affairs Committee wins the prize for drawing the most public attention this week with its hearing on SB53. This bill would repeal the July 1, 2017 expiration of the period during which institutions of higher education, community mental health centers, state or municipal-owned hospitals and medical care and adult care facilities and indigent health care clinics may elect to exempt themselves from state law that permits the carrying of firearms (open or concealed) on their premises. The overflow crowd Thursday morning consisted mainly of supporters of the bill, insisting that local control should prevail and allow those closest to the affected institutions to continue to determine what is in their best interests. It was stated that unregulated firearms on their premises not only constituted a serious safety risk and, in the case of an active shooter, made the job of security and other law enforcement personnel much more difficult and dangerous, and that most students, faculty and staff did not support the carrying of firearms on the subject premises. The chairman of the committee, Sen. Jacob LaTurner (R-Pittsburg), said he expects to work the bill next week, most likely on Thursday; the committee vote should be very close.

An identical bill, HB2074, is scheduled for a hearing in the House Federal and State Affairs Committee Wednesday, February 1. Expect a similar crowd for that hearing before what is possibly a slightly more receptive and favorable committee.

The Overland Park Chamber submitted written testimony in support of SB53, and we will be submitting written testimony in support of the House bill as well.

**LLC Loophole.** On Monday, the House Taxation Committee completed its hearing on the repeal of the LLC loophole by HB2023, the bill that would repeal the income tax exemption for pass-through business entities. One of the most important things to come out of the committee hearing was the presentation of a new fiscal note, promised last Thursday by the Department of Revenue, that increases the revenue projected to result from the repeal to \$230.9 million for FY2018 (up from last week's note of \$178 million) and to \$181 million for FY2019 (up from \$139 million). Secretary Sam Williams, Kansas Department of Revenue, had acknowledged that the fiscal note provided last week was inaccurate.

As mentioned last week, I provided oral testimony in support of HB2023 and the repeal, emphasizing input from the Overland Park Chamber members that the exemption had not generated the promised boost to job growth and the economy, and that the legislature was forced to balance the budget using one-time funds, sweeps of funds were dedicated for other purposes, and increasing the state's debt. Members tell us that asking business owners – themselves included – to pay their share is at least a start toward a fair, comprehensive and responsible solution to that problem. I also let the committee know that already fourteen members of the Coalition of Local Chambers, a group of local chambers of commerce across the state of Kansas and of which the Overland Park Chamber is a member, had also endorsed the repeal of this exemption.

It remains to be seen where this bill goes, whether the committee decides to work it as a stand-alone bill, only partially (but materially) addressing the revenue shortfall facing the state, or they decide to wait and include it in a more comprehensive tax reform package, a few of which are bubbling just below the surface and should appear in the next few days. Such a package not only would take a bigger bite out of the deficit, but also would allow a single vote on a tax increase, a legitimate desire among legislators.

**STAR Bonds.** The first bill to extend the sunset for STAR bonds, HB2184, was introduced last week in House Commerce, Labor and Economic Development. The bill would extend the sunset from July 1, 2017 for a period of five years to July 1, 2022. In addition to the extension, the bill would remove the “veto power” over the creation of new districts held by the board of education of any school district or the county commission of the county affected by such district under current law. As yet, there is no hearing scheduled for this bill.

**Balancing the Budget.** Legislators were given the opportunity to see what it would take to make up this fiscal year's \$350 million revenue hole and balance the budget solely with

across-the-board spending cuts. They were advised such an approach would require a cut of about 6.9% which would mean implementing the following cuts between now and July 1, 2017:

- K-12 school funding would see a cut of about \$219, costing Blue Valley approximately \$7.8 million, Shawnee Mission approximately \$10.6 million, Olathe approximately \$10.9 million and Kansas City, Kansas, approximately \$11 million; other districts around the state would suffer similar losses, such as \$24 million in Wichita, \$4.7 million in Lawrence, \$3.6 million in Garden City, and \$2.5 million in Manhattan;
- KU would lose \$9 million, KU Medical Center about \$7.4 million, and K-State about \$11 million;
- Department of Aging and Disability Services loses \$25.3 million;
- Department of Children and Families would lose \$9.5 million;
- Department of Corrections would lose \$11.6 million; and
- The Judiciary loses \$7.6 million.

Not a pretty picture and not an approach it appears would see much, if any, support in this legislature. Committee work will continue this week as legislators look not only for ways to save money, but also at options for increasing revenue, getting ready to dig in to reviews of various sales tax exemptions, how retirement benefits under KPERS and other public plans are taxed (or currently not taxed, as the case may be), the Governor's proposal to increase "sin taxes," as well as income tax rates and the path to zero.

Sen. Caryn Tyson, Chair of the Senate Assessment and Taxation Committee, introduced a conceptual tax bill in her committee. Although no details were offered and the bill has yet to be drafted and made public by the Revisor's Office, it appears intended to be a comprehensive plan to increase revenue; Sen. Tyson indicated she expected the committee to work the bill in the next two weeks. This most certainly will not be the only comprehensive tax proposal offered up for consideration, and we will keep you apprised as plans and details come available.

**KDOT and Highway Project Funding.** In a briefing of the Senate Ways and Means Committee, Transportation Secretary Richard Carlson disclosed that KDOT will further reduce its construction and maintenance work for the remainder of this fiscal year as well as for fiscal years 2018 and 2019. As funds continue to be swept from KDOT's highway fund, only about \$44 million in new projects are set to be bid for FY2018, covering 235 miles of Kansas roadways.

In his proposals to balance the state's budget, the Governor's plan includes sweeping sales tax revenues sent to KDOT, \$504 million in FY2018 and another \$525 million in FY2019, adding on to the approximately \$1.3 billion taken from the fund since 2011. Overall, 48 highway projects have been canceled since April 2016.

**More Economic Development.** HB2050, introduced by Rep. J.R. Claeys, was given a very brief hearing last week in the House Commerce, Labor and Economic Development Committee. The bill would simply reinstate the Joint House-Senate Committee on Economic Development, a committee in place from 1987 until it was terminated in 2013. Rep. Claeys thinks that committee would be good not only for year-round monitoring and researching of economic development programs, largely when the legislature is not in session, but also would facilitate additional conversation and information exchange between the House and Senate. The committee would consist of 13 members, five senators and eight representatives.

**K-12 School Finance.** And in case you were still wondering, the Kansas Supreme Court has not yet released its opinion on the adequacy portion of *Gannon*. Work continues, behind the scenes for the most part, on the development of a new school finance formula, but everyone agrees the Court's decision will add a critical piece to the ground rules; hopefully, it will come soon.

**TABOR.** And as an example of some bad ideas that just never completely go away, SCR1602 was introduced last week and referred to the Senate Committee on Federal and State Affairs. This resolution calls for a constitutional amendment to add a so-called "taxpayer bill of rights." Essentially, such a plan places an artificial cap on state spending and tax increases. Among other things, SCR1602 would require a 2/3 supermajority of both the House and Senate to pass a new tax or increase an existing one; require a general popular vote to authorize spending in excess of an inflation index; and creates a budget stabilization fund (a good idea already included in the performance-based budgeting statute passed last year). States such as Colorado and Missouri (the Hancock Amendment) with this or similar plans have found them to be overly restrictive and limit their legislature's ability to do the job for which they were elected with the flexibility to respond to changing situations and environments. Since SCR1602 proposes a constitutional amendment, it would require a 2/3 vote in both the Senate and House followed by a general election vote in order to be implemented. I seriously doubt this has much, if any, chance of getting out of the legislature.

**Upcoming events:**

**Legislative Breakfast Series.** The next breakfast in the **Johnson County Public Policy Council's series** will be on Saturday, **February 18**, at the DoubleTree Hotel. Members of the Johnson County Delegation scheduled to participate on the panel that morning are Sen. Pat Pettey and Reps. Linda Gallagher, Cindy Holscher, Jan Kessinger, Patty Markley and Jarrod Ousley.

**Public Policy and Advocacy Committee Meeting.** The next meeting of this committee will be noon-1:30 p.m. on Friday, **February 10**, at the Overland Park Chamber office.

**Registration information** for both events can be found at [www.opchamber.org](http://www.opchamber.org).