

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of January 30 – February 3, 2017*

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The legislature's fourth week of the session was still dominated by table-setting for issues to be addressed over the next few weeks, although there were more hearings on bills in committee and a few votes on the floor. Overall, things are moving along about as well as could be expected, maybe even a little better than many thought, particularly when so much is dominated by revenue and budget issues.

It seems the majority believes, or at least accepts, that the state needs more revenue to work with in balancing budgets for the current fiscal year ending June 30th and for FY2018 and FY2019. Is there a veto-proof majority in either chamber? Possibly, but the thought here is that it will depend on just how the various pieces fit together, not to mention just what those pieces turn out to be.

Right now so many different organizations and agencies continue to lobby the legislature, focusing on their own particular interests as the budget pieces are being analyzed; K-12 education, higher education, transportation and highways, KPERS, social services, *et al*, all worthy causes, are working to protect and enhance funding in their respective areas. The hard part is that the pieces must all fit together, so it will take a real collaborative effort to find the right mix of additional revenue (e.g., higher taxes), cost savings, and budget cuts (begin queuing up the fat, muscle, bone analogies here). It may, in fact, require some small steps back by most, if not all, in order to start those incremental steps forward. Put aside the arguments over what has occurred over the last several years; we are where we are with a really serious problem, it needs to be addressed, and it's not going to be easy. This is the challenge the legislature is facing; agree or disagree with individual approaches, consider talking to your representatives about your concerns and thank them for being willing to take on an often thankless task.

And with that all being said, I will finish these opening remarks on a positive note by repeating the feeling that I have being in the Capitol this year – it's a more open environment in both chambers, legislators are more likely to be seen talking to each other and sharing ideas, and more of them are even talking to those of us who are there to advocate and observe.

Guns and More Guns. After indicating that he did not plan on working SB53 (the bill that would have allowed colleges and universities to permanently prohibit carrying concealed weapons on campus) following hearings on the bill last week in the Senate Federal and State Affairs Committee, Chairman LaTurner abruptly changed his mind and brought the bill up for a committee vote on Thursday. The motion to send the bill to the full Senate with a favorable recommendation failed on a voice vote.

However, as also previously mentioned, the House Federal and State Affairs Committee heard testimony on its identical bill, HB2074, on Wednesday. Also heard by the Committee on Thursday was HB2150, a bill which would allow the University of Kansas Hospital to continue its prohibition of concealed carry in its buildings.

As of now, no date has been set for the Committee to work the bill, although it's expected that both will get a vote in the Committee. The Chamber supports both bills and will follow and report on their status.

Taxes. The House Taxation Committee began the week looking at several sales tax exemptions that, if eliminated, would help with the revenue needs of the state. The Committee heard testimony that elimination of the sales tax charged on labor on construction projects, potentially worth \$270 – 280 million, would result in the additional cost being passed on to home buyers and materially depressing construction and sale of new homes. Also on the agenda was the sales tax on farm machinery and equipment, a \$76 million load that would hurt an already struggling farm economy and, if implemented, would certainly result in higher food prices. At the end of the meeting, there seemed to be little support for such an approach.

Next up were hearings on the Governor's proposed increase in the liquor enforcement tax and on taxes on cigarettes and other tobacco products. The proposal to double the liquor tax from 8% to 16% saw little support and was strongly opposed by the liquor wholesalers and restaurant and bar owners who said that such an increase would drive business across state lines. Liquor store owners predicted a loss of as much as \$95 million annually, noting that 47% of the state's liquor tax revenue is generated by sales within 50 miles of the Missouri state line.

The Governor's main proposal regarding tobacco was to suggest an increase of \$1.00 per pack of cigarettes. Interestingly, supporters of the tax, most of whom lined up to do so based on health concerns related to smoking, included the American Cancer Society who said an increase of \$1.50 would better suit their goal of reducing smoking. Opponents made a similar loss of business case as was heard regarding the proposed increase in liquor taxes.

It will be a wait and see whether any increases in so-called sin taxes might be included in a more comprehensive tax package or, what seems more likely, that the concerns raised by Kansas businesses over loss of sales that would result will prevail.

Chairman Johnson told his committee that he wanted them to be thinking about and preparing to work a comprehensive tax plan in the upcoming week, a plan that will almost certainly include a repeal of the LLC exemption along with some variation of personal income tax increases. First comprehensive plan up for consideration is the so-called "Rise Up Kansas" plan offered by a coalition of five different organizations (Kansas Center for Economic Growth, Kansas Action for Children, Kansas Contractors Association, Kansas-National Education Association and the Kansas Organization of State Employees) that would end the "march to zero," reinstate the third tax bracket taxing income over \$40,000 at 6.45%, repeal the LLC exemption, increase the state fuel tax constitutionally dedicated to the highway fund by \$.11 per gallon while accepting the sweeping of the \$.04 sales tax that goes into the fund, and reduce the state sales tax on food from 6.5% to 5%. Lots of good ideas in the bill, HB2237, but specifics will almost certainly need work. The guess here is that the bill will get its hearing and then relegated to the closet as many of the pieces undergo some work before finding themselves in a new comprehensive plan.

On the Senate side of the Capitol, most of the attention has been focused on a closed, off-site meeting of the Republican caucus where tax policy took center stage. Limited accounts of the discussion seem a little inconclusive – clearly many of the same ideas as are being looked at by House Tax were talked about, but it does not appear that real consensus on what a tax plan should like was reached. We may get a better idea when the Assessment and Taxation Committee holds a couple of days of hearings on SB147, the bill mentioned last week as having been introduced by Chairman Caryn Tyson. The bill would increase both existing personal income tax brackets by 0.3% and repealing the LLC exemption. Early reports have this proposal generating additional tax revenue in the \$400-500 million range, although a fiscal note has not been provided yet.

KanCare Expansion. Next week, the House Health and Human Services Committee has scheduled three days for testimony on HB2064, the bill that would expand KanCare (Medicaid) eligibility for low income individuals, with a day each for neutral, proponent and opponent testimony. The Chamber has submitted written testimony in support of expansion. While sentiment in the legislature in support of expansion continues to grow, the Governor remains opposed; it seems unlikely that a veto proof majority would present itself.

K-12 School Finance. At the risk of sounding like a broken record, there is still no decision by the Supreme Court in the *Gannon* school funding case. I think that it's safe to say that the frustration level is rising with every week in which no opinion is released, as the decision stands to have a major impact on how the legislature ends up dealing with tax and budget issues.

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.