This Week in Topeka

Overland Park Chamber

Business, Economic Development & Local Government News
from the Legislative Session Week of May 22-26, 2017

The fourth week of the Veto Session ended around noon on Thursday as the legislature adjourned for the Memorial Day weekend. This week the tortoise continued its charge toward the legislative finish line while there still has been no sighting of the hare. The week was highlighted by passage of the House's new school finance plan while the Senate completed committee work on its corresponding plan and by starts and stops, mostly stops, in connection to coming up with a new comprehensive tax plan.

K-12 School Finance. As mentioned, the full House debated HB2410, the school finance bill sent to the floor without recommendation by the K-12 Budget Committee, for nearly five hours on Wednesday afternoon, much less time than most anticipated since it was rumored the Revisor's office had received a record number of requests for amendments to be prepared, possibly as many as 90. Either there were a massive number of duplicates drafted or a lot of legislators changed their minds, as only about fourteen amendments were actually offered during the course of the debate. At the end, the bill was sent on to final action on Thursday morning, when it passed, 84-39.

The House formula would add about $180 million this year and $100 million more next year to the overall school funding, a source of much dispute concerning the bill. A significant number of House members argue that this amount will not be enough to satisfy the Supreme Court when it looks at the adequacy aspect of school funding, while other members believe it may be seen as constitutionally adequate by the Court in light of the fact that the formula directs more money to at-risk students, particularly those in the lowest 25% of performance measures that were the focus of much of the Court's most recent opinion in *Gannon.* And there are some legislators who saw this bill as offering a formula the Court could find constitutionally acceptable, thus providing a means by which the state could send funds to the school districts, even after its June 30, 2017 deadline, so they could operate during the summer while still wrestling with the overall amount of funding for schools. The seven justices across the street from the Capitol will ultimately determine who has the right approach.

Meanwhile on the other side of the Capitol, the Senate Select Committee on Education Finance finished its version of a new K-12 school finance formula and sent it to the Senate as Senate Substitute for HB2186. This bill is similar in many respects to HB2410, although it is significant that before passing it, the Senate Committee stripped what was probably the most controversial provision out of the bill, that being the proposal to raise approximately $150 million annually from a fee or surcharge on residential and commercial utility bills (water, gas and electricity) of $2.25 each and $10.00 each, respectively. Also being watched carefully is the provision mentioned last week (and the Chamber provided testimony in opposition to the provision) that was part of this bill and would prohibit future property tax abatements of the 20-mill statewide K-12 education property tax levy as well as local capital outlay tax levies for economic development programs. As of the Senate's adjournment on Thursday, this bill had not been scheduled for debate on the floor, although it likely will be run early this week in order to establish the Senate positions on school finance prior to the inevitable conference committee work to iron out the differences between the two chambers.

Income Taxes. On Monday night, the House voted 63-58 to reject the latest tax conference committee report on SB30. The plan reflected by this CCR would have raised approximately $600 million per year in each of the next two fiscal years. Significantly, the bill contained three income tax brackets and repealed both the pass through business non-wage income exemption (the LLC loophole) and the march to zero income tax plan.

Then it was back to work for the conference committee, which put together another option calling for two income tax brackets and repeal of the LLC loophole and march to zero insofar as income taxes are concerned, while also removing the existing sales tax exemption on several non-professional services and increasing the liquor enforcement tax from 8% to 10% on gross receipts from the sale of alcoholic liquor and cereal malt beverages, mostly at the wholesale level. The proposal also included the extension of STAR bonds for five years beyond the impending sunset of July 1, 2017; however, that new provision also would provide for a one-year moratorium on any new STAR bond projects. (A side note here: STAR bond renewal is very important to economic development across the state and the authorization for the program will expire July 1, 2017 unless it is extended, so we are watching this issue very closely and advocating for renewal before the session ends, whether that renewal is contained in a tax bill or some other vehicle.)

Debate was scheduled for Wednesday morning in the House, preceding its consideration of the new school finance formula in HB2410. That plan never materialized as the CCR was pulled from the agenda, the reasons alternating between the need to clean up some additional technical parts of the bill and a lack of 63 votes to pass it. There is nothing on the schedule for this week ahead for additional work on this CCR or another tax plan; however, it is a good bet the telephone lines were worked over the holiday weekend as leadership tries to iron out the difficulties in an attempt to offer up a plan early this week that can get at least 63 votes in the House and 21 in the Senate; that's assuming they believe the Governor will sign the bill if placed on his desk (or at least not veto it and simply let it become law without his signature). The risk there is that the Supreme Court decides more money is needed for school finance that this tax plan will generate. If that happens, the legislature will be staring at a special session to find more revenue to put into the school formula, and who knows what source or sources of funds will be acceptable to what combination of Representatives, Senators and the Governor.

Guns. The Senate Ways and Means Committee again worked HB2278; the bill would allow state and municipal owned medical care facilities and adult care homes, community mental health centers, indigent health care clinics and the KU Medical Center to prohibit the carrying of concealed handguns in buildings and public areas of their institutions after the pending July 1, 2017 sunset of current law without requiring them to provide "adequate security measures." The Committee stripped out the floor amendment that would have prevented these institutions from prohibiting concealed carry license holders from carrying concealed weapons at these facilities. The bill was sent back to the full Senate where it likely will be run early this week. As mentioned before, the Chamber supports this bill and generally opposes the expansion of the carrying of weapons, concealed or otherwise, in the subject facilities as well as on the campuses of educational institutions in the state.