



# This Week in Topeka

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Overland Park Chamber

*Business, Economic Development & Local Government News  
from the Legislative Session Week of February 1-5, 2016*

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Good news for the second week in a row – at least potentially some more good news. Assuming the budget bill moves along this week, there is talk about trying to shorten the session by moving the turnaround date, now set for February 26, up a few days, possibly as much as a week. They would bank those extra days, and hopefully not need them later, and lengthen the break before the veto session.

The January tax revenue numbers were released Monday. Overall, receipts were down about \$6.7 million for the month. Individual income taxes were up \$8.2 million, while corporate income taxes, retail sales taxes, and severance taxes were all down, approximately \$8.3 million, \$3.9 million, and \$1.4 million, respectively.

**Taxation.** The House Taxation Committee held a hearing on **HB2405** which would extend the Angel Investor Tax Credit, which is set to sunset this year for five more years to 2021. This bill and the Tax Credit had strong support from conferees and Committee members as an important economic development tool. Committee Chairman Kleeb stated that he intended to work the bill in the near future, and it should move through the legislature with little opposition.

Also still out there is the property tax “lid” that was imposed by the 2015 legislature without hearings or otherwise being vetted through the committee process and requires local units of government to submit property tax increases in excess of the CPI to a vote of the people. We have discussed already last session why this was a bad idea (e.g., infringes on local control – that is, the ability of the local officials that you elected to do the job you chose them to do, significant logistical/timing problems, etc.). Now a number of legislators want to make it worse by passing **SB316**, which would accelerate the effective date from 2018 to 2016 and eliminate some of the exceptions. A new bill, **HB2609**, was introduced and referred to the House Taxation Committee. While still leaving the lid in place (as a practical matter, the

votes are just not there to repeal the lid), this bill would change the standard by which the property tax revenue is measured from the CPI to the municipal cost index, a much more realistic standard for evaluating the cost of government-provided services, shifting the automatic requirement of a vote to one that could be initiated by a petition, and would expand the exceptions for which the increased revenue could be used without a public vote being required. There has not been a hearing date set yet for the bill, but there is a lot of work going on behind the scenes, and a compromise seems likely. More to come on this issue.

**K-12 Education.** As I mentioned last week, the House Education Committee conducted hearings on three bills of interest – **HB2486** which would establish the school district bond project review board, **HB2457** that expands the program that allows tax credits for funds donated for student scholarships, and **HB2504** that mandates realignment (i.e., consolidation) of school districts.

**HB2457** has been added to the Committee’s calendar for the upcoming week and is scheduled to be worked on Monday, February 8, when it’s likely to be passed favorably by the Committee and sent to the floor of the House.

Right now I would expect **HB2486** to be worked at some point, but it has not been scheduled yet. As far as **HB2504** is concerned, if the testimony is any indication (it ran about 10:1 against), consolidation of school districts got a hearing, but will probably reside with revaluation of agricultural land for property tax purposes for the session; i.e., done.

**Budget.** On Thursday, the House Appropriations Committee passed a budget bill that makes adjustments to the budgets for FY2016 and FY2017. Those changes were inserted into an existing Senate bill from last session sitting in this Committee, becoming **H Sub for SB161** and sent to the full House where it will likely be debated on Tuesday or Wednesday. This gets it ahead of the Senate Ways & Means Committee where two budget bills are on the agenda for Monday. If the House passes **H Sub for SB161**, it will go across the Capitol where the Senate will have the opportunity to simply concur and send the bill to the Governor for his signature. That is the most expedient way for the current budget to be addressed, but may not be the most likely as the Senate may want more input.

Included in **H Sub for SB161** are:

- Rejection of the Governor’s proposal to move \$50 million of the tobacco settlement money from the Children’s Initiative Fund to the State General Fund (although with the stated intent of continuing to use the money to fund children’s programs, it becomes a much easier target for other uses sitting in the SGF);

- Adding approximately \$2.5 million to the Department of Corrections budget for a 2.5% pay increase for uniformed officers in the Department in 2017 (intended to address the fact that these officers had not received a salary increase since 2009 and turnover has become a major problem);
- Authorizing the KBI to use existing (not new) funds for a pay increase for its agents;
- Reinstating the cap on KDOT's bonding authority at 19% for FY2017 (the cap, previously at 18% was temporarily removed last session);
- Adding \$3 million for Osawatomie and Larned state hospitals for FY2017 in response to the well documented problems regarding certification of Osawatomie, low pay, turnover and more; and
- Modifying the Governor's authority to make across the board spending cuts in the event that the state's ending balance is projected to be more than \$100 million in the red (current law) by allowing the Governor to target those cuts to specific state agencies and to defer FY2016 KPERS payments (with the requirement that those deferrals be made in FY2017).

These adjustments would leave the state with an ending balance of approximately \$6 million in FY2016 and \$87 million in FY2017, but those are based on current revenue estimates and projections, which are pretty tenuous at best.

**Upcoming Events.** The next **Public Policy and Advocacy Committee (formerly the Government Affairs Committee)** meeting is noon-1:30 p.m. on **Friday, February 12** at the Chamber office. Scheduled is a presentation on KanCare expansion by the Kansas Hospital Association. Please register by 5:00 p.m. on Tuesday, February 9 – [click here](#). Partners and sponsors may register with Julie Hakan at [jhakan@opchamber.org](mailto:jhakan@opchamber.org).

The **Public Policy and Advocacy Committee** meeting on March 11 will feature Congressman Kevin Yoder who will discuss national politics and, possibly, a little overview of the Big XII Basketball Tournament. Watch for confirmation, but we are talking with the Congressman about changing our regular time and format of this meeting to a morning breakfast here at the Chamber office.