

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of February 29-March 4, 2016*

Written by Tom Robinett, Vice President of Public Policy and Advocacy

This was another short week at the Capitol as the legislature returned to work on Wednesday to begin the second half of the 2016 session after its week-long break following Turnaround.

Revenue Receipts. The legislators returned to the revenue report for February which showed that tax receipts for the month were \$53.7 million short of official estimates. With the recently passed budget bill projecting an ending balance of only a little more than \$6 million for FY2016, this now leaves the state with a shortfall of more than \$40 million with four months remaining in the fiscal year. Since receipts have underperformed estimates over most recent months, the legislature and Governor Brownback have their work cut out.

The Governor made the first move to address the deficit by announcing a 3% cut (\$17 million) to the Regent's universities and reaffirming his opposition to reinstating any income taxes on small business, notwithstanding the regular revenue shortfalls and lack of promised boost to the economy. The cut to the higher education appropriation is on top of what has been, at best, pretty flat state funding along with tuition increases over recent years. Make no mistake about it, financially squeezing our universities now has a negative long term impact on them. That negative trend is difficult and takes a long time to recover from, and its negative impact carries over into economic development and job growth.

On Friday, the Governor also signed the budget bill, but exercised his line-item power and vetoed two provisions in the bill. The first was a proviso prohibiting any new STAR bond projects in Wyandotte County, a provision that was added by the Senate in response to what was seen as the Governor's attempt to lure the American Royal away from Kansas City, Missouri, relocating them in an expanded STAR bond area near the Legends in Kansas City, Kansas. The Senate's objection was the possibility that \$42 million of sales tax revenue that would become available at the end of the year when the STAR bonds issued for the Legends are retired would be further diverted from the state and used in the efforts to complete the

American Royal project. As I mentioned last week, this proviso becomes null and void if the legislature enacts STAR bond reform which gives the legislature more oversight on these projects; **HB2703** which does just that is scheduled for a hearing in the House Appropriations Committee next week.

The second veto was of a proviso that would have re-started mental health screenings before admitting patients to inpatient psychiatric hospitals and inpatient residential treatment facilities, a provision that, while potentially saving the state as much as \$1.8 million, could ultimately jeopardize Medicaid funding for mental health services according to the Governor.

The legislature has thirty days to attempt to override the Governor's vetoes, should it decide to do so.

SB463 was heard in the Senate Ways and Means Committee on Tuesday. This bill would (i) abolish the Economic Development Initiatives Fund (a fund that supports the Commerce Department and other of the state's economic development initiatives and incentive programs); (ii) abolish the Expanded Lottery Act Revenues Fund (which, among other things, contributes funds to the KanGrow engineering fund supporting engineering programs at KU, K-State and Wichita State); (iii) abolish the Kansas Endowment for Youth Fund and the Children's Initiative Fund; and (iv) cease crediting of sales tax (currently approximately \$500 million) directly to the KDOT. In all of these instances, all revenue currently in and which would have otherwise been credited directly to those funds for dedicated uses would be transferred to the state general fund (SGF). As a practical matter, the legislature has often not hesitated to sweep revenue from any or all of these funds in order to cover appropriations made from the SGF; however, with this change it just makes it easier for those revenues to get lost in the big bucket that is the SGF when all aspects of the state's budget are being considered and appropriations for these programs that historically had dedicated funds will have to be affirmatively made. I suppose this is one way to solve the irritating problem of annual criticism for sweeping these funds by simply abolishing the funds.

There are three more bills of note and previously discussed here remain on the horizon. March 8-9 **SB316** and **HB2609** is two days of hearings each in the Senate Assessment and Taxation Committee and the House Taxation Committee, respectively. Both bills deal with the property tax lid passed last session as a floor amendment in the Senate. The Chamber will provide written testimony in opposition to **SB316** (which accelerates the effective date of the tax lid and eliminates some of the exceptions contained in current law) and in support of **HB2609** (although we remain opposed to tax lids in general, and to the impending property tax lid specifically, this bill does offer major improvements to what is current law). And,

finally, **HB2444** is at least tentatively set for a hearing on March 15 in the House Tax Committee. The Chamber will support this bill as presenting two good policy changes, but with the caveat that only a portion of the income tax revenue generated be used to offset the cost of a reduction in the sales tax on groceries.

As I said last week, I am interested in hearing your thoughts on these and other issues being addressed by the legislature. Send me a quick email and let me know at trobinett@opchamber.org.

Upcoming Events. The next **Public Policy and Advocacy Committee** (formerly the Government Affairs Committee) meeting on March 11 will feature Congressman Kevin Yoder with an update on the happenings in DC. Note that this meeting will be a breakfast meeting, beginning at 7:30 a.m. at the Chamber; we will conclude by 9:00 am. Please register by 5:00 p.m. on Tuesday, March 8 – [click here](#). Partners and sponsors may register with Julie Hakan at jhakan@opchamber.org.

We are still working to finalize plans for a Legislative Breakfast on Friday, April 22, during the veto session. More details will be available soon, but keep that date open for breakfast at the DoubleTree Hotel from 7:30 – 9:00 am.