

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of January 11-15, 2016*

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

Although it seems like we just finished last session, the 2016 Legislative Session opened on January 11 with many predicting that the legislature will get its work done in less than 90 days. The Governor gave his annual State of the State address last Tuesday, January 12; his budget message for the current and next fiscal years was delivered to the legislature the next day, January 13; representatives of Alvarez & Marsal (A & M) provided a review of its interim efficiency report and recommendations to the Senate Ways & Means and House Appropriations committees; and legislative committees began their work with briefings and discussions on other issues to be addressed this session.

State of the State Address. All in all, the State of the State address contained little new and was generally unremarkable, except for the somewhat puzzling fact that there was no mention of the State's budget shortfall, either for the current fiscal year or FY 2017 that begins on July 1. Among other things, Governor Brownback indicated his tax policies are working, a very debatable assertion; that the number of private sector jobs has grown significantly, but the question remains how our performance compares with other states; that more money for K-12 education has been appropriated by the legislature and work is needed so that more of that money ends up in the classroom, a laudable goal, but how, how much and how to define and measure are questions to be answered; and called for an acceleration of the effective date of the so-called property tax lid from 2018 to 2016, a measure passed last session under the guise of increased local control.

Budget. The Governor's budget report for FY 2017 (the State is in the second year of a 2-year budget) was presented to a joint session of the Senate Ways & Means and House Appropriations committees by Budget Director Shawn Sullivan. The Governor's proposals would eliminate an estimated FY 2017 shortfall of \$190-200 million without increasing taxes or cutting the second year of block grant funding for K-12 education and leave a projected

ending balance of almost \$88 million. Some of the more significant budget adjustments include:

- \$25 million transferred from KDOT to the State General Fund (SGF);
- \$25 million realized from the privatization of the Kansas Bioscience Authority's portfolio;
- \$50 million moved from the Children's Initiative Fund (CIF) to the SGF, although the Governor presents this as a paper transaction, as he calls for the continued funding of the various children's programs from SGF rather than the CIF;
- \$50 million in savings from Medicaid reforms; and
- \$24 million in savings from revised KPERS payment estimates for education block grant.

There will be much more on the budget and revenue as we move through the session, most likely sooner rather than later as we await January tax numbers. Without good receipts from estimated income tax payments due on January 15 in particular, the legislature could end up faced with an even more difficult task than reflected in the rather tenuous budget projections now available. In comments following Budget Director Sullivan's presentation, Sen. Jim Denning referred to the next three weeks as being critical to the process. He further stated he did not see much in the way of near term relief in revenue collections, in large part due to the depressed state of aviation, oil and gas, and agriculture industries, and believed that the State needed some working capital. Sen. Denning's comments were seconded by Sen. Jeff Melcher, who also suggested it is important to be prepared with a plan B to the Governor's plan A, a plan B that better recognizes the current trends and working capital needs.

A & M Efficiency Study. Distilled down from A & M's more than 260-page interim Statewide Efficiency Review (the final report is to be submitted to the legislature in mid-February) were 105 initial recommendations which they project to save approximately \$20 million this fiscal year, \$300 million in FY 2017, and a total of more than \$2 billion through FY 2021. The Review and its companion recommendations will be divided up among the various Ways & Means and Appropriations subcommittees and studied in depth with their recommendations to their respective committees to follow. Here are links to the full review and the recommendations:

[Kansas Statewide Efficiency Review](#)

[State of Kansas Efficiency Review – Summary Recommendations](#)

Other items of interest:

Court Funding. Both the House and Senate took steps to defuse the potential confrontation with the Judicial Branch over funding by introducing and moving bills that repeal the non-severability portion of the 2015 judicial budget bill. This provision tied court funding to a change in how chief district court judges are selected and, had it been allowed to stand, would have resulted in the defunding of the court system. The Senate version, **SB320**, is on the consent calendar in the Senate; the House version, **HB2449**, was sent to the full House by the Appropriations Committee with a recommendation that it be passed.

Property Tax Lid. As most of you know, last session, without any hearing or vetting, the legislature included a provision in the bill containing its “tax plan” that, in short, would prohibit local governments from passing a budget that included property tax revenue that exceeded the prior year’s property tax revenue by more than the CPI unless approved by a popular vote of those subject to the tax. Had this been properly vetted, it would have been apparent that the way the processes for certification of property values and budget preparation simply do not reasonably allow for a timely election; logistically, this law is a train wreck. Further, and the lack of recognition of which is equally as puzzling, is the claim that imposing this lid really is just local control at its essence. I have yet to hear an explanation of how the imposition of a property tax by local officials elected to do their job by the same people who elect our state legislators differs from those legislators imposing taxes (e.g., the 2015 sales tax increase) without being subject approval pursuant to a similar special election. And as now proposed, **SB316** will simply exacerbate a bad situation by accelerating the effective date of the new voting requirement from 2018 to July 2016 and removing many of the exemptions from the law as well.

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. 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.