

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of January 18-22, 2016*

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

Last week was shortened by the observance of Martin Luther King Day on Monday; otherwise, it was a fairly typical week for the early part of a legislative session in that House and Senate sessions were short and most committee activity consisted of informational hearings and briefings. The general feeling around the Capitol is still that the legislators want to get what needs to be done this session finished in a relatively short session and go home.

Court Funding. As I reported last week, both chambers had bills on their calendars to repeal the non-severability provision included in the 2015 judicial budget bill; i.e., that provision that would nullify the appropriation for the operation of the state's court system because of a subsequent decision regarding the method of selecting the chief judges for the state's judicial districts. On Tuesday, the Senate removed its bill, **SB320**, from the Consent Calendar and placed it on General Orders for consideration at a later, but unspecified, date. On Wednesday, however, the House passed its identical bill, **HB2449**, by a vote of 119-0 and sent it to the Senate where it, too, was placed on General Orders. Having already passed by one chamber, **HB2449** will likely be the vehicle used to effect the repeal of the aforementioned non-severability clause and allow funding of the court system.

Secretary of Commerce. On Tuesday, the Senate Commerce Committee held a confirmation hearing to consider Governor Brownback's appointment of Andrew Soave as the new Secretary of Commerce. Mr. Soave, a resident of Johnson County and, most recently, the chairman and CEO of Capistrano Global Advisory Services, has a 20-year career as a businessman, entrepreneur and consultant in a wide range of industries. After his introduction, and some questions from committee members, the committee unanimously recommended Mr. Soave's appointment be confirmed by the Senate.

Property Tax Lid. Contrary to some reports out there, we have been told by our members that they disagree with the 2015 legislature's imposition of an artificial lid on property tax

revenue at the county and city level without the benefit of a hearing. It seems our member businesses understand that they elect their county commissioners and city councils to do a job, and they expect them to do that job or be held accountable at the next election. Not only do they believe such action by the legislature constitutes interference with their locally elected officials' ability to do the job for which they were elected, but the logistics of this unvetted and ill-considered requirement just do not work from a practical process standpoint. Be that as it may, **SB316**, which would accelerate the effective date of the new election mandate with respect to a property tax increase and remove several of the exceptions built into the new law, sits in the Senate Assessment and Taxation Committee awaiting consideration. In contrast, **HB 2493**, which would repeal the lid, was introduced last week and assigned to the House Taxation Committee. Best guess right now, neither bill will have the votes to pass both chambers, and we will end the session right where we are now, with the tax lid having a July 1, 2018 effective date and ready for further debate next year.

Taxation. Last week the House Taxation Committee received a presentation by the Department of Revenue that included:

- a short overview of the state's current tax policy;
- what the revenue trends in the state look like, including that corporate income tax trends are normal, use tax receipts and individual income tax receipts are growing somewhat, but sales tax receipts continue to be down in spite of the rate increase to 6.5% last session; and
- various economic trends, including a statewide unemployment rate of 4%, positive wage growth, and more than 8,600 first time small business filers in tax year 2013.

Not surprisingly, however, the discussion by the committee members was split in the reaction to the DOR briefing. On one side are those who support the premise that the positive trends indicated that the current tax plan is working and only needs a little more time and coupled with more efficiencies and lower government spending to turn the state's finances around. On the other side are those members who point to the ongoing budget deficits, lack of a healthy ending balance or "rainy day fund," sweeping of other funds (e.g., KDOT's highway fund, Children's Initiative Fund) and repeated use of other one-time savings to supplement the State General Fund, lower job and wage growth than that of other states, and an unspecified return on investment associated with the non-wage business income tax exemption as indicators of a serious budget/revenue problem here in Kansas. Without exception, everyone is anxiously awaiting the January revenue numbers which should be available on February 1.

One bill to watch closely is **HB2444** introduced by Rep. Mark Hutton (R-Wichita) that would repeal the non-wage business income tax exemption and lower the state sales tax on groceries

to 2.6%. So far, no hearing has been scheduled for the bill, but Taxation Committee Chair Marvin Kleeb has been consistently fair in his approach that all legitimate tax-related bills deserve a hearing in his committee. There are other ideas floating around, but not necessarily in bill form yet, that would modify, rather than totally repeal, this exemption by taxing that portion of the non-wage income in excess of a certain specified amount or would tax it at the lower personal income tax rate or some combination of both. We will have to wait and see what, if any, coalition of legislators might be put together to advance something here.

K-12 Education. Something we have not seen for quite a while – a call for school district consolidation (although the bill, **HB2504**, refers to the proposal as school district realignment) was introduced by Rep. Tony Barton (R-Lansing) last week and, as you might imagine, has caused quite an uproar. In short, the bill would require that any county with fewer than 10,000 students be consolidated into a single, county-wide school district; in counties that have more than 10,000 students, districts would be consolidated or realigned so that all districts within the county have a minimum of 1,500 students. District boundary lines would be redrawn by the State Board of Education in 2017 and again every ten years thereafter. I am sure buses are already being reserved to bring conferees to Topeka to oppose this bill, that is, if it even gets a hearing.

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.