

# This Week



# in Topeka

Overland Park Chamber

*Business, Economic Development & Local Government News  
from the Legislative Session Week of March 14-18, 2016*

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As First Adjournment got closer, House and Senate committees were hard at it during what is the last full week of committee meetings, at least for those non-exempt committees, hearing and working bills and passing them on to their respective chambers for debate and final action. It looks like the legislature's spring break could possibly begin on Thursday, March 24<sup>th</sup>, a day earlier than shown on the calendar.

**K-12 School Finance.** Both the House and Senate proposals to provide fixes for the equity part of school finance were discussed in their respective committees this week. **HB2731** was first up in the House Appropriations Committee. This bill would add approximately \$38 million, including the \$17 million now in the Extraordinary Needs Fund, and redistributing the funds already appropriated under the block grants using the previous school finance formula to address the equity requirement ordered by the Supreme Court. Much of the Committee's discussion centered on the bill's creation of winners and losers among the state's school districts and their taxpayers (Johnson County's three largest districts looked to be losers to the tune of approximately \$5 million cumulatively), and anger at the Court for its decision that, at least a number of the Committee members believed, placed time constraints on the legislative action that preempted the 2-year plan to use the block grants to fund K-12 schools while a new funding formula was developed by the legislature. At the end of the Committee meeting, Chairman Ryckman announced that he was not inclined to work the bill in light of the Committee's expressed concerns and underwhelming enthusiasm for the proposal, and that work on a new House plan would get underway quickly.

The Senate Ways and Means Committee took up the Senate's proposal for addressing the Supreme Court's equity ruling, **SB512**. As explained by the Committee's chairman, Sen. Masterson, this bill represented the simplest and most straightforward response to the Court, reviving the relevant portions of the previous formula (i.e., the LOB equalization and capital outlay formulas) and funding them using the already appropriated block grant funds, a

simple redistribution of funds. Like the House bill, however, winners and losers resulted from this approach, with the three big Johnson County school districts standing to lose a combined total of about \$10 million under this plan. Nevertheless, the bill was passed out favorably by the Committee and sent to the full Senate where it will be on next week's agenda.

UPDATE: Due to technical issues that resulted in a delay in getting this newsletter out to you, and for which we apologize, here is an update on the status of **SB512** and K-12 school finance. On Monday the 21<sup>st</sup>, after little debate on the Senate floor (but following significant discussion in the Republican and Democrat caucuses where the lack of support for the approach represented by this bill), **SB512** was sent back to the Ways and Means Committee on a voice vote with no opposition, where it will almost certainly not see the light of day again. And right after that action, that Committee met "at the rail" to introduce a new school finance bill that is still being drafted. Details of the new bill were not discussed, but it appears that the equalization formulas will at least be tweaked and a hold harmless provision will be added to the consideration, one that will hopefully preserve the budgets of the Johnson County school districts.

**Property Tax Lid.** After the hearings on the two bills that would modify the impending property tax lid, the Senate Assessment and Taxation Committee used a procedure referred to as a "gut and go," replacing all of the original language contained in a bill already passed by the House, **HB2088**, with an amended version of its original **SB316** and sending it to the Senate. This procedure means that if the bill is passed by the Senate, the House will have the opportunity for a straight up or down vote on the bill; most likely, it will end up in a conference committee where the final provisions will be worked out and sent back to the House and Senate for approval.

This amended version contained changes that have been negotiated by the Kansas Association of Realtors (on behalf of the supporters of the original bill and the tax lid) and the League of Kansas Municipalities and the Kansas Association of Counties (on behalf of the opponents, including the OP Chamber, of the original bill and tax lids). The changes sought by the opponents were intended to improve a bad bill that, if passed as introduced, would have made a bad law, the property tax lid, even worse.

**LLC Loophole.** The House Taxation Committee devoted two meetings to hearings on **HB2444** which would repeal the non-wage pass through business income tax exemption, but would offset the revenue regained with a cut in the state sales tax rate on food from 6.5% to 2.6%. Among the supporters of the bill were an impressive group of business owners who personally benefitted from the 2012 tax exemption but were there to ask the legislature to

change current law and require them to again pay their share of income taxes. Other supporters included a number of local chambers of commerce (including the OP Chamber, although our support is predicated on a more modest, if any, food sales tax cut) representing their member businesses and the Tax Foundation (a nationally recognized organization that studies tax policy), who argued that Governor Brownback's 2012 tax plan has failed to live up to the promise that it would provide a quick and strong boost to the Kansas economy. In fact, however, Kansas is lagging behind the region and nation in many, if not most, job growth, personal income growth and gross state product measures. The supporters also point to the continuing revenue shortfalls and growing budget deficits that force the legislature to sweep money from funds dedicated to key government services and use other one-time revenue sources in its efforts to balance the budget.

Opponents of this bill, and probably about any bill that would reinstate income taxes on business owners, counter that the "tax plan is working," notwithstanding the dreary numbers and lack of performance that indicate otherwise, and that it will only take a little more time.

After conclusion of the hearings, it appears that **HB2444**, along with **SB508** (which has not yet had hearings, but would make 70% of the non-wage pass through income generated by business owners subject to income tax and does not include a food sales tax cut) will remain on the shelf until the veto session when the legislators will have the advantage of knowing the March and April revenue numbers and the state's consensus revenue estimating group will have met and released its updated state revenue projections.

**Upcoming Events.** The next **Public Policy and Advocacy Committee** (formerly the Government Affairs Committee) meeting will be on April 8 from noon to 1:30 pm at the Chamber. Please register by 5:00 p.m. on Tuesday, April 5 – [click here](#). Partners and Sponsors may register with Julie Hakan at [jhakan@opchamber.org](mailto:jhakan@opchamber.org).

Mark your calendar for the Legislative Breakfast, 7:30-9:00 a.m. on Friday, April 22 at the DoubleTree by Hilton in Overland Park during the veto session. More details on speakers will be available soon. Please register by April 15 – [click here](#).