



Kansas State Council of SHRM, Inc.
825 S. Kansas, Suite 502 • Topeka, KS 66612
(888) 332-6248 • office@ksshrm.com



March 10, 2017 Legislative Update

The Kansas Legislature was back in business this week, marking the start of the second half of the 2017 Legislative Session. All bills that did not pass their House of Origin before February 23rd's turnaround deadline, are dead for the year unless they were "blessed" to a handful of committees exempt from all legislative deadlines.

During last week's break, February tax revenues came in \$40 million above estimates, shrinking the shortfall for fiscal year 2017 from \$350 million projected last November to \$280 million. The good news was overshadowed, however, with the Kansas Supreme Court's decision the next day which ruled Kansas' block grant school funding system not constitutionally adequate.

New School Finance Committee Appointed

As reported last week, the Kansas Supreme Court did not include a dollar amount in their Gannon vs. Kansas ruling that would indicate how much additional K-12 funding would be considered adequate. While it did mention a lower court's ruling that a new formula might cost the state \$500 million, the opinion also stated that "total spending is not dispositive of adequacy." This has left lawmakers puzzled this week, to say the least.

Senate President Susan Wagle (R-Wichita) appointed a Select Committee on School Finance on Wednesday to craft the new formula to replace the current block grant distribution system expiring on June 30, 2017. Senator Jim Denning (R-Overland Park) was named Chair and Senator Carolyn McGinn (R-Sedgwick) Vice Chair of the panel. The House's K-12 Budget Committee has been meeting since the first of the year receiving briefings from staff and considering several potential plans. With the adequacy ruling issued, both committees can now start hammering out the nuts and bolts.

Senate Examines Rescission Bill

The Senate Ways and Means Committee on Wednesday heard **Substitute for House Bill 2052**, the Governor's FY17 rescission bill that passed the House weeks ago and leaves a \$99 million ending balance in the State General Fund on June 30.

The Governor's proposal included an elimination of the fourth quarter FY16 repayment of \$85.9 million to the Kansas Public Employees Retirement System (KPERs). Sub HB 2052 requires the state pay 50% of the state's ending balance back to KPERs. Then if after the full KPERs repayment can be made, 10% of whatever ending balance remains is put aside in the newly-created Budget Stabilization (Rainy Day) Fund.



Kansas State Council of SHRM, Inc.
825 S. Kansas, Suite 502 • Topeka, KS 66612
(888) 332-6248 • office@ksshrm.com



The Ways and Means Committee did not hear the House's companion borrowing bill, which authorizes the liquidation of \$317 million from the state's long-term investment fund. As you recall, the Senate unsuccessfully tried to pass a bill that only borrowed \$100 million from the Pooled Money Investment Board (PMIB) and cut K-12 and higher education to make up the difference.

During Wednesday's hearing, the major heartburn among Senators was over the Governor's proposal to delay a \$75 million payment to K-12 schools. Currently paid in June, the bill would delay it one month to July – into the next fiscal year. The state currently delays \$200 million in school payments to July and has been doing so for about a decade.

There's a \$280 million shortfall left in this fiscal year ending on June 30, and Legislators must pass a rescission bill leaving the state in the black and before they can begin Omnibus work for FY18 and FY19. The Ways and Means committee plans to work the rescission bill on Monday.

Governor's Tax Plan Killed

The full Senate sent a clear picture to Governor Brownback on Tuesday killing his proposed tax plan by a vote of 37-1. **Senate Bill 175** would have increased taxes on cigarettes by \$1/pack, doubled it on other tobacco products and liquor, raised the LLC annual filing fee, taxed passive income on rents and royalties, and frozen the bottom income tax bracket at 2.7% (scheduled to drop to 2.6% in FY18).

The bill was recommended without approval by the Senate Assessment and Taxation Committee; and after two hours of debate and dismantling the bill into separate measures, the Senate rejected the Governor's revenue package outright.

While other tax bills are still being introduced and floating around in both Chambers, a hearing has been scheduled for Tuesday in the Senate Tax Committee on **Senate Bill 192**, which adds a third bracket of 6.1% on joint filers making more than \$70k a year. Like the bill vetoed by the Governor, it would eliminate the "March to Zero" trigger on lowering future business income taxes and is retroactive to January 1, 2017. The bill would raise \$579 million next year.

Senate Hears Economic Development Bills

The Senate Assessment and Taxation Committee held hearings on two economic development bills yesterday. Both deal with the Providing Employment Across Kansas (PEAK) program that allows employers to keep withholding taxes for up to ten years for relocating to or expanding in Kansas.

Senate Bill 222 would impose a one-year moratorium on the incentive program and **Senate Bill 223** would limit eligibility to companies relocating over 250 miles to Kansas. With strong opposition from local



Kansas State Council of SHRM, Inc.
825 S. Kansas, Suite 502 • Topeka, KS 66612
(888) 332-6248 • office@ksshrm.com



chambers of commerce, the Kansas Chamber and the Kansas Department of Commerce, the sentiment from the committee appeared to be against moving these bills forward.

Appropriators Approve KDOT Bonding Authority

The House Appropriations Committee on Monday approved a report from the Transportation and Public Safety Budget Subcommittee that gives the Kansas Department of Transportation bonding authority up to \$400 million in FY18 and FY19 for TWORKS preservation projects on roads and bridges. The 10-year highway program has issued \$1.1 billion out of their total approved \$1.7 billion in bonds. This week's proviso – if approved during final mega bill negotiations – would also require removing the 18% bonding cap currently in statute.

Regarding funding for transportation, two bills were also introduced this week that would raise the motor fuel tax by five cents in **Senate Bill 224** and 11 cents in **House Bill 2382**. Hearings have not yet been scheduled for either bill.

Brownback Leaving Kansas?

According to an anonymous source, Governor Brownback could be named the next U.S. ambassador to the United Nations agencies for food and agriculture in Rome. His service as Kansas Secretary of Agriculture, along with his humanitarian efforts regarding malaria during his time in the U.S. Senate, make him a likely candidate for the job.

Kansas Public Radio broke the story on Wednesday, but the Governor has refused to substantiate or comment on the potential appointment in the Trump administration. As Lieutenant Governor, Jeff Colyer would take the top job, but it's all speculation on what would happen next.

Looking Ahead

Mark your calendars. The Senate Public Health and Welfare Committee is expected to begin hearings on Medicaid expansion on March 21. It passed the House with 81-44 votes, but it's expected to be a tougher sell in the Senate.