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2017 Veto Session Outlook

Kansas lawmakers wrapped up the first part of the 2017 legislative session on April 7 and will return to Topeka on Monday, May 1 after a three-week spring break.

Heading into Veto Session with a \$889 million budget shortfall and no tax package or school funding formula, there is much speculation about how long it will last. Legislators have already approved extending the statutorily-approved 90-day session by 10 days in anticipation of the hard work in front of them this year.

First item of business? Probably taxes.

The Consensus Revenue Estimating Group, made up of university economists and state budget officials, met on April 20 to revise the November 2016 State General Fund (SGF) forecast revenues. They announced at a joint meeting of the House Appropriations and Senate Ways and Means Committees yesterday that the state is expected to see increased tax revenues of \$156.4 million over November's projections. Receipts are expected to be up \$62.5 million for the remainder of FY17, up \$42.9 million in FY18, and up \$51 million in FY19.

After several efforts to pass a "flat" income tax bill during the regular session failed, legislators are planning to take a second look at a two or three income tax bracket plan on individuals, which would also repeal the small business tax exemption and eliminate the March to Zero trigger. A similar bill was vetoed by the Governor earlier this year and fell three votes short of an override in the Senate. However, removing the provision that made the tax increases retroactive to January 1, 2017 could be the key to gaining a veto-proof majority this time around.

Once a tax bill passes and appropriators have projected revenue numbers to work off, the budget bills for FY18 and FY19 should move quickly. The Senate passed their mega budget before the April break, while the House's budget is still awaiting debate and vote on the floor. Meanwhile, both the House Appropriations and Senate Ways and Means Committees met yesterday and today to start assembling their "omnibus" or catch-all budget bills that typically close out the legislative session.

For school funding, the K-12 Budget Committee finished their work on a new school finance formula before first adjournment. The bill is to replace the expiring two-year block grant funding system that's been found unconstitutional by the Kansas Supreme Court. Closely resembling the old formula, the new plan targets more at-risk, low achieving students and increases funding by \$150 million per year over the next five years.

The Legislative Coordinating Council also hired attorney and former Senator Jeff King (R-Independence) before leaving for spring break to review the bill and create a record of evidence for the courts as lawmakers finalize the legislation.

Aside from taxes, budget and school funding, conference committees will continue to meet, negating differences between House and Senate positions on many bills. Monday marks the 77th day of the legislative session.