



KDHA

Kansas Legislative Report

May 5, 2017

The 2017 Legislature has officially entered veto session. This is the time period designated for legislators to wrap up lingering issues, specifically the finalization of the biennial budget. This year has the added requirement of the approval of a new school finance formula, a daunting task in itself. Because of the forecasted budget shortfall for the next two fiscal years, a major tax package will need to be passed by the end of session, too. This three-headed task will make for a complicated veto session and it is anyone's guess how long it will last. Optimists hope several agreements can be made to conclude the session by Mother's Day while others speculate the end could come near Memorial Day or even in early June. Time will tell.

Tax committees have met throughout the week to craft possible revenue packages. The tax questions become more complicated when factoring in veto threats from Governor Brownback. Generally, the Legislature needs just a simple majority to pass a budget. However, depending on the design of the proposed tax package, it may need a 2/3 supermajority to override an impending veto, a goal inherently more difficult than a simple majority. The Tax Conference Committee and both the House and Senate Tax Committees will keep working on different approaches as they slowly turn dials to find the measured balance to satisfy different factions. This week has seen a scaled down version of the major tax plan vetoed in March as well as new flat tax and two bracket proposals. It does appear at least part, if not all, of the small business income tax exemption will be repealed, no matter what package moves forward.

Wrapping up the budget becomes a waiting game as the Legislature waits to see how much revenue can be generated from the tax plan when it is eventually approved. Also, budget leaders are waiting to see the final version of the new school finance plan. There will almost certainly be new money placed in the school finance plan to ensure it meets the approval of the Kansas Supreme Court. Once that number is established, and the leaders know how much tax revenue is expected, the budget can be crafted to ensure a positive ending balance. There is speculation a supplemental tax package could be approved to include tobacco, liquor and fuel taxes to ensure a healthy ending balance. Any increase in fuel tax, which could be a possible two to five cents, would be designated for the State Highway Fund by order of the Kansas Constitution.

The House K-12 Education Budget Committee met all week to continue vetting its school finance plan. This plan, which currently resides in HB 2410, largely resembles the previous formula. The committee has ordered the plan have more funding, which is scheduled for a stair-step increase over the next five years. The Legislature hired former Senate Vice-President Jeff King to review the bill to see if it passes constitutional muster. King told the committee he will advise them throughout the finalization of the bill. It is assumed the House committee could formally approve the bill in the next few days.

The Senate school finance committee has not met at all this week but Senate Majority Leader Jim Denning, who is the chair of the committee, is working on school finance for the Senate. There is no firm word on how a Senate plan would resemble or differ from the House's.

Last month, State Treasurer Ron Estes was elected to the Fourth Congressional District, which consists mostly of the Wichita metro area. This was the vacancy created when President Trump appointed Congressman Mike Pompeo to head the CIA. State Senator Jake LaTurner was appointed by Governor Brownback to serve as the new State Treasurer for the remainder of the term that expires in 2018. A special precinct election in Crawford

County, Cherokee County and parts of Bourbon County elected Richard Hildabrand as LaTurner's replacement in the Senate.

Thank you and please let me know if you have any questions.

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