

This Week  **in Topeka**
Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of February 12-16, 2018*

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The Sixth Week of the session continued on a relatively slow pace, at least insofar as moving bills through the process is concerned. Expect that to change in the upcoming week; there will be only a few committee meetings as both the House and Senate are scheduled to be on the floor debating and voting on bills all day Tuesday, Wednesday and Thursday. Thursday is Turnaround Day (optimistically considered to be the halfway point in the session), when all but “blessed” bills must be out of their respective house of origin or they will be considered dead.

HPIP Bill Advances. On Thursday, the Senate Commerce Committee worked **SB334** which would extend the time limit for using tax credits granted under the High Performance Incentive Program (HPIP). As several members of the committee voiced concern regarding the fact that the extension would go on in perpetuity (last week I incorrectly reported that the extension was for a 10-year period), an amendment was proposed to limit the extension to five years. The amendment passed on a close 5-3 vote; however, a second amendment was immediately offered to change the five-year extension to nine years, noting that those companies that had credits remaining had already made significant investments in Kansas and deserved to be able to take advantage of the credits that they had qualified for, not only completing the agreement with the state, but encouraging them to continue to invest in our state in the future. This amendment passed on a voice vote of the committee, whereupon the committee voted to send the bill on to the full Senate, recommending it for passage. Following action on **SB334**, Sen. Rob Olson (R-Olathe), a strong supporter of the bill, commented that in his opinion, HPIP tax credits represented some of the cheapest money the state could spend to foster economic development and retention.

After the committee meeting, an interesting question was raised about the bill now that it had been amended to add the nine-year time limit. The companies promoting the bill had agreed to take a 25% “haircut” on the amount of their unused tax credits in return for the unlimited

extension of the time for claiming those credits. The question posed was “is the haircut still applicable, or, since the extension is for nine years, should the qualifying companies be allowed to take all of the credits for which they qualify during that time?” Interesting, that may be something we see on the floor of the Senate or later, when, and if, the bill goes to the House.

KanCare Bridge to a Healthy Kansas Program. Also on Thursday, the Senate Public Health and Welfare Committee held a hearing on **SB38**. An overflow crowd heard testimony on the bill which would expand Medicaid coverage to as many as 145,000 additional Kansans who earn less than 133% of the federal poverty level (approximately \$17,000 per year for singles and \$35,000 per year for a family of three). There is a possibility the committee will work the bill on the upcoming Tuesday, although that is not currently reflected in the Senate Calendar for next week.

The Chamber submitted testimony (along with about 140 other organizations and individuals) in support of **SB38** and expansion, seeing this providing a way of not only helping many uninsured Kansans gain access to affordable health care, but also a good business plan that would boost our state’s economy because of a healthier and more efficient workforce. It also would create as many as 3,500-4,000 new jobs over the next five years, while also reducing our overall state spending on health care and alleviating the strain of the increasing cost of uncompensated care hospitals and other providers are straining to absorb, as well as reduce increasingly higher health insurance premiums being passed on to businesses and individuals as a result of those costs.

A bill similarly expanding Medicaid passed both the House and Senate during the 2017 session; however, it was vetoed by then-Governor Brownback and an attempted override failed. It was hoped Governor Colyer might have a more positive opinion of the idea and, if it gets to his desk, might either sign it into law or allow it to become law without his signature. This hope was diminished when Governor Colyer restated his previous opposition to expansion, seeming to see expansion as an endorsement of Obamacare. If the bill gets through both the full Senate and House, it may again require a veto override to become law.

Federal Tax Reform. During a joint meeting of the Senate and House tax committees on Wednesday, the Department of Revenue told members that, based on its study and estimates so far, the state of Kansas could receive additional tax revenue as a result of the just-passed federal tax reforms \$137.8 million in FY2019 (\$84.4 million attributable to individual income taxes and \$53.4 million to corporate income taxes). That estimate rises to \$146.3 million in FY2020 and \$152.9 million in FY2021, for a potential total of \$505.4 million additional revenue that could be realized over the next three fiscal years. Members were cautioned, however,

that these numbers still are a “rough guess” of the impact; nevertheless, it is an encouraging possibility at a time when the legislature is looking hard at potential sources of revenue needed to balance the state’s budget.

Taxation. The drafting of the conceptual bill mentioned last week that would raise the 20-mill statewide property tax levy for K-12 school finance was completed. The bill, **HB2740**, would increase the current 20-mill levy as follows: 26.76 mills in school year 2018-19, 32.82 mills in school year 2019-20, and 38.43 mills in school year 2020-21, with each increase set to raise approximately \$200 million. Remember, Tax Committee Chairman Johnson’s stated goal in introducing this bill was to begin the conversation about how to raise additional funds for K-12 funding, a goal that is a certainty to be realized. No hearing for the bill is currently on the calendar; expect that to come sometime after Turnaround.

A plethora of new tax bills were rushed to be introduced prior to the deadline for individual bills, several apparently with the stated goal of making the “rich” good stewards of the state’s tax revenues while providing a “well-deserved and overdue break” to Kansas families. It does not take an in-depth study of some of these bills to see just where most of the target of additional taxes are. Can you say Johnson County? How about an additional permanent state tax of 10 mills on all residential property with appraised values of \$1 million or more? Or doubling the property tax on all recreation vehicles with a selling price of more than \$100,000? Increasing the sales tax rate to 13% on the sale of all motor vehicles over \$100,000? Big property tax increases on expensive motor vehicles and boats are also being proposed. Or adding a new 10% income tax rate for taxable income over \$500,000? There are also proposals for increasing several tax credits and cutting the sales tax on food by one-half, all of which have some merit, especially when considered in a vacuum. While Johnson Countians have readily accepted the fact that as a county where many resources are located, much will be expected, and they have followed through and generously supported that expectation, a quick review of this list of proposed increases led to a conclusion that it might be just a bit too much and lacking in balance. Perhaps the idea here is also just to get the conversation started.

K-12 School Finance. Next Friday during the legislature’s three-day break following Turnaround, the House K-12 Education Budget Committee and the Senate Select Committee on Education Finance will meet in a joint session to receive an update from Dr. Lori Taylor, the professor and consultant from Texas A&M the legislature hired to provide an analysis of the Kansas Supreme Court’s decision in the *Gannon* school finance lawsuit and how it might respond to the Court’s finding that the K-12 funding is constitutionally inadequate. This preview is in advance of the March 15 date on which the full report is due to the legislature.

Thank You. I want to thank Sen. Pat Pettey and Reps. Linda Gallagher, Patty Markley, John Resman and Jerry Stogsdill for being our panel at the Johnson County Public Policy Council's second legislative breakfast this past Saturday. Their updates on what is going on in Topeka and thoughtful responses to audience questions were well received and very informative.

Upcoming Events. The next meeting of the **Public Policy and Advocacy Committee** will be noon-1:30 p.m. on **Friday, March 9** at the Chamber. **Registration information** for the meeting can be found at www.opchamber.org.

The third breakfast in the **Johnson County Public Policy Council's legislative breakfast series** is 7:30-9:00 a.m. on **March 24** at the DoubleTree by Hilton. Guest legislators scheduled are **Senator Julia Lynn** and **Representatives Cindy Holscher, Jan Kessinger, Cindy Neighbor, Jarrod Ousley and Sean Tarwater**. The fourth and final breakfast will be on **May 19**. To register for either or both breakfasts, [click here](#).