

This Week  **in Topeka**
Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of January 22-26, 2018*

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The Third Week of the 2018 session saw only a slight uptick in activity, at least outwardly, with most of the work continuing to occur in the various legislative committees (and much of these still being educational briefings intended to get the committee members up to date on the activities of particular agencies as well as other issues that will likely be dealt with as the session progresses).

A New Governor. Probably the biggest news of the week came on Thursday with the announcement the U.S. Senate had confirmed Governor Brownback's appointment to the Trump administration. That quickly led to Governor Brownback announcing he would resign the governorship on January 31, clearing the way for Lt. Governor Jeff Colyer to be sworn in as the new Governor at 3:00 pm that afternoon in the Capitol rotunda.

The optimist here thinks this change could be a positive reset in the combative Legislature, respectively, and lead to a more collaborative approach to dealing with the many difficult issues facing the state. From our perspective here at the Chamber, I see a much-improved opportunity to have conversations with soon-to-be Governor Colyer and to discuss many of the things you have told us are important not only to Overland Park and Johnson County, but to the state of Kansas. We might not be able to change his mind on those issues, but unlike the almost complete lack of recognition from the Governor's office over the last several years, I am confident we at least will be able to talk with Governor Colyer.

Transparency in Government. I am confident you all already know about the push for greater transparency in government, but I want to briefly update you on the recent activity on that issue at the Capitol. I anticipate several bills dealing with transparency will be introduced soon, but Rep. Stephanie Clayton was out of the gate early with **HB2548** (she gained 40 co-sponsors as well, including 15 other members of the Johnson County Delegation). Simply put, this bill will require that the printed version of any bill introduced will include, in addition to the sponsor of the bill, "the legislator or other person, state or

local agency, organization or entity” that requested the bill introduction. HB2548 also will require that the names of those sponsors be removed should the underlying bill be used as a vehicle in a “gut and go” process, thus completely changing the subject matter of the bill as originally introduced.

(In full disclosure, I also thought it was important that you get this update before the world’s supply of the words “transparent” and “transparency” is exhausted, a situation that cannot be too far away. More updates to come as supplies last.)

Transportation, Highways and Infrastructure. Last week’s report mentioned that Senator Skubal introduced **SB285** that provides for the establishment of a joint legislative task force to begin work on a new long-range highway/transportation program for Kansas as the end of the current T-Works plan approaches. That bill had a hearing in the Senate Ways and Means Committee on Wednesday, and the Chamber submitted written testimony in support of the bill, acknowledging the critical importance of a financially sound, well-maintained, comprehensive transportation program to the economic welfare of the state and the need to begin the planning for such a program. Many other organizations also offered testimony, both written and oral, in support of **SB285**; most of the testimony focused on the job creation, economic growth, safety and quality of life benefits that result from such a program; some testimony also pointed out the sweeping of funds from the highway fund has resulted in significant cut backs in road and bridge maintenance with a resulting deterioration in the condition of the infrastructure statewide. There appeared to be no opposition to the bill, and final action on it in Ways and Means is set for Wednesday; passage, as expected, will send it to the full Senate for consideration.

Sales Taxes. There are three items of interest coming this week that deal with sales tax. First, on Wednesday afternoon the House Taxation Committee will hold a hearing on **HB2491**, a bill that would clarify that the mere installation of an appliance (defined to mean a refrigerator, freezer, range, stove, oven, microwave, washer, dryer, dishwasher, garbage disposal, trash compactor or window air conditioner as well as small appliances such as coffee makers and other similar products) or electronic product (e.g., television, computer and computer accessories, radio, receiver, audio or video recorder, video camera, video game, video monitor, satellite receiver or satellite dish) is not exempt from sales tax as new construction or remodeling under the Kansas Retailers’ Sales Tax Act. The end result of this bill is that sales tax would be imposed on these personal services. The Chamber will submit testimony in opposition to this bill, based on our 2018 legislative position that states, in part, that “[t]he Chamber opposes any change in tax law that would apply a sales tax on professional or personal services thereby negatively impacting our competitiveness with neighboring states. A comprehensive review of tax exemptions should include careful

consideration of the economic development and employment consequences of eliminating such exemptions as well as establishment of criteria for the granting of exemptions that considers those instances in which products and services that governmental agencies would be required to provide if not available through exempt organizations.”

Second, the Senate Assessment and Taxation Committee has scheduled a Thursday hearing on **SCR1604**. This proposal would amend the state constitution to reduce the sales tax on food, going from 6.5% currently to 4% from July 1, 2019 through June 30, 2020, and thereafter settling at 2%. Since this is a proposed constitutional amendment, it will require a 2/3 majority in both the Senate and House to be submitted to a vote of the people. With the current uncertainty over state revenues, particularly as legislators grapple with school finance, a stand-alone reduction of any taxes seems unlikely to pass, especially one that needs a super majority. If this does fail, it is possible that we will see another attempt to reduce the sales tax on food by including it as one provision contained in a more comprehensive tax bill, one that would include some tax increases. Just a guess.

And, third, later on Thursday afternoon, there will be a joint session of the House Taxation and Senate Assessment and Taxation Committees to receive a presentation by Marty Jackley, the South Dakota Attorney General; Derek Schmidt, the Kansas Attorney General; and Mark Beshears, Kansas Department of Revenue, on the South Dakota lawsuit now before the United States Supreme Court that seeks to overturn current law that allows a state to require a business to remit taxes on sales made within the state only if that business has a physical presence in the state and meets a couple of other stated requirements. Kansas is one of 34 states besides South Dakota that have submitted *amicus* briefs in support of South Dakota’s position. A ruling in favor of South Dakota would mean that individual states, including Kansas, could collect sales taxes on most online sales that currently go untaxed, potentially adding millions of dollars to the state’s revenue.

K-12 School Finance. Nothing much to report on school finance. Informational briefings and conversations among legislators continue, but it still appears little of substance will happen, at least publicly, until the analysis by the consultants hired by the legislature are completed and the resulting reports are sent to the legislature, set to occur on or before March 15. As mentioned last week, that puts a real-time strain on the ability of the legislature to get a new finance plan passed and signed by the governor with enough time to prepare the state’s briefs and submit them to the Supreme Court before the Court’s April 30 deadline for complying with the constitutional requirements for equitable and adequate funding of K-12 schools.

Economic Development. On Tuesday, the Senate Commerce Committee will receive its annual briefing on **STAR Bonds** from the Department of Commerce. We are watching STAR Bonds (as well as other economic development incentive programs) carefully and hope to work with several key members of the Johnson County Delegation to improve and protect these programs; we will be at the committee meeting.

Upcoming Events. The second breakfast in the **Johnson County Public Policy Council's legislative breakfast series** is set for **February 17** from 7:30-9:00 a.m. at the DoubleTree by Hilton. Guest legislators scheduled for the panel are Senator Pat Pettey and Representatives Linda Gallagher, Patty Markley, John Resman, and Jerry Stogsdill. Other breakfasts will be **March 24** and **May 19**. To register for this or any of the other breakfasts, [click here](#).