

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of March 26-30, 2018*

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This past week was a busy one as legislators spent much of their time in floor debate as they worked toward a three-day Easter weekend. This leaves only this week until First Adjournment which is set for Friday, April 6th. However, with word circulating that leadership is ready to continue working until a new school finance plan is passed by both chambers and sent to the Governor (many individual members have been heard to say that they will vote against any motion to adjourn until such a school finance plan passes), it is hard to look at adjournment on April 6th as a sure thing.

K-12 School Finance. Three major events occurred last week with respect to the school finance issue. One, Dr. Jesse Levin delivered his peer review of the previous school finance studies (focusing primarily on a Legislative Post Audit study released in January 2006 and the recently released study authored by Dr. Lori Taylor and others at WestEd consultants) to a joint meeting on Thursday of the **Senate Select Committee on Education Finance** and **House K-12 Education Budget Committee**. And, two, the **House K-12 Education Budget Committee** forwarded **HB2445** to the full House, without recommendation, on Thursday evening, where it now sits on General Orders and is scheduled for debate on Monday, April 2nd when the House reconvenes.

The bottom line on Dr. Levin's peer review of Dr. Taylor's study is that he believes that it was a good, well-done study, although he stated that he did identify a few concerns, most of which dealt with her documentation of some of the underlying materials and information used. His conclusions included that there is correlation between funding input and student achievement outcomes and that the state needs to increase its new money investment in K-12 education in order to make progress toward achieving the Kansans Can goals. It is still anyone's guess as to just how much, or how little, influence Dr. Taylor's study will ultimately have on the legislature's response to the Supreme Court in *Gannon V*. It's rather certain that

there will not be a plan offered that includes increased K-12 funding anywhere close to \$2 billion.

Two, Rep. Steven Johnson (R-Assaria), a member of the **House K-12 Education Budget Committee** (and, coincidentally, the House Taxation Committee), offered an amendment to **HB2445** during that Committee's meeting on Wednesday evening. **HB2445** began as a bill primarily to address the four issues that the Supreme Court had with the equity part of the current school finance formula, but Rep. Johnson used it as a vehicle for his amendment addressing the funding adequacy question.

The major proposals contained in the Johnson amendment call for increased funding of K-12 schools of approximately \$522 million over the next five years. About \$29.3 million would be added to state foundation aid (formerly referred to as base state aid), increasing the already scheduled increase of \$95.6 million for a total increase in school year 2018-19 of just over \$124.9 million in school year 2018-19; this reflects a base aid for student excellence (BASE) increase from \$4,006 to \$4,170 per pupil. The BASE per pupil would be increased in the next four school years to \$4,307 in 2019-20, \$4,444 in 2020-21, \$4,581 in 2021-22, and \$4,718 in 2022-23, representing approximately \$100 million of new funds in each of those school years; thereafter, the BASE would be adjusted based on the average Midwest consumer price index for the immediately preceding three school years.

The amendment also calls for \$44.4 million in additional funding of special education costs in school year 2018-19 and an additional \$7.5 million in each of the succeeding four school years for special education.

The bill, with the new funding added, was discussed by the Committee and ultimately passed out on a voice vote without recommendation to the full House. When questioned, Rep. Johnson stated that he believed, but certainly could not guarantee, that state revenues will be able to absorb the additional school funding in 2018-19 without a tax increase and, assuming continued economic growth in Kansas at the current rate of about 1.5%, existing revenue sources may support the future growth included in the plan without further tax increases. Among the caveats regarding those predictions was the anticipated additional revenue to be generated by a hoped-for change in the current law to require collection and remitting of sales tax on Internet sales and by the projected increase in state tax revenues resulting from the new federal tax changes. Rep. Johnson also reminded everyone that this action still meant that the state does not have any additional dollars to put into highways, higher education, the judiciary, and other core state services where more funds are needed.

Comments from Committee members ranged from Rep. Melissa Rooker's (R-Prairie Village) statement that this bill looked like a good faith attempt by the legislature to address the Supreme Court's ruling, at least being a reasonable first step, to the contention of at least a couple of other members that these increases, while nice, would not satisfy the Court's examination of constitutional adequacy.

And the third event was the introduction of **HCR5029** in the **House Taxation Committee** (one of the committees exempt from the scheduling deadlines) on Thursday and referred to the **House Judiciary Committee** on Friday. This is the proposed constitutional amendment regarding K-12 school finance that has been anticipated over most of the session. If enacted (and it will require a 2/3 majority in both the House and Senate, a signature from the Governor, and then passage by the general electorate of Kansas), Article 6 of the Kansas Constitution dealing with school funding would be amended to state that the sole power to determine what constitutes a suitable amount of funding shall be vested in the Legislature, to the exclusion of the other branches of the state government. The resolution will be fast-tracked in the Judiciary Committee, with information briefings set for Monday, hearings on Tuesday, and discussion and action on Wednesday.

Proponents of the amendment believe that the change is necessary to clarify the constitutional responsibilities related to funding K-12 education, including the separation of powers within state government, and facilitating an end to the cycle of litigation over school finance. Opponents see the amendment as an inappropriate response to *Gannon* by an end run around the Supreme Court's execution of its judicial review of statutory compliance in accordance with its role within the separation of powers doctrine. Much more to come on this tough issue, although it seems to have little chance of impacting the legislature's response in *Gannon V* in view of the pending April 30th Court deadline and the time that it will take to get the proposed amendment to a vote of the people.

Economic Development. There were a couple of events involving economic development issues to report on. First, on a vote of 40-0, the Senate passed **SB430** the bill mentioned in last week's report that extends the time period by nine years for which companies who have already qualified for tax credits under HPIP may take up to 50% of those unused credits. The Chamber strongly supports this bill, which now resides in the **House Taxation Committee**. Hopefully, this bill will move quickly to the House floor and be passed and sent to the Governor for signature. This is an important bill that fairly treats those companies that have made significant investments in Kansas and stand to lose those earned the HPIP tax credits without this extension.

The Senate took three more runs at adding additional limits to **STAR bonds**, with three senators offering amendments on the floor during debate of the Senate's mega-budget bill. All three amendments failed and, with any luck, the move to modify this economic development incentive program is over for this session. Understanding that some members of the legislature have concerns with various aspects of the program, we continue to believe that a discussion among representatives of businesses, developers, local governments and the legislature with the goal of making changes that actually improve the program is a better approach than what we have seen this session.

Transportation. The House took its version of the bill which would establish the Joint Legislative Transportation Vision Task Force and plugged it into **H Sub for SB391** and passed it 123-1. The Senate chose to non-concur with the House amendments, and the bill will go to a conference committee to resolve the differences. This is the task force that will be charged with evaluating the state's highway and transportation infrastructure and begin the process of developing a new comprehensive, statewide transportation program to be in place when T-Works, the current plan, expires next year.

Upcoming Events. The next meeting of the Public Policy and Advocacy Committee will be noon-1:30 p.m. on Friday, April 13 at the Chamber. Registration information for the meeting can be found at www.opchamber.org.

The fourth and final breakfast in the **Johnson County Public Policy Council's legislative breakfast series** is 7:30-9:00 a.m. **May 19** at the DoubleTree by Hilton. Guest legislators scheduled are **Senators Molly Baumgardner and Barbara Bollier** and **Representatives Stephanie Clayton, Tom Cox, Nancy Lusk and Melissa Rooker**. To register, [click here](#).