

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of February 11 – February 15, 2019*

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Bill introductions! Lots of them! That was the theme for week five as the lawmakers made up for lost time with a flurry of introductions ahead of this week's deadline to introduce bills. If you're keeping score, there are now 353 bills to track in the House and 192 in the Senate. A trend toward introducing identical bills in both chambers has continued to flourish – a relatively new phenomenon in Kansas.

Budget committees continued their deep dive into the details of budget recommendations and projections. Lawmakers are reviewing Governor Kelly's budget recommendations while working with their own ideas as they work toward crafting a budget for FY 2020. These discussions included an analysis of State General Fund (SGF) receipts through January 2019.

A few budget highlights:

Total receipts through January FY 2019 were \$39.3 million, or 1.0 percent below the estimate. Corporate income taxes (\$27.9 million or 14.1 percent greater than the estimate); severance taxes (\$2.0 million or 9.2% greater than the estimate) and cigarette taxes (\$1.7 million or 2.4% greater than the estimate) led the pack of taxes exceeding estimates.

Conversely, individual income tax (\$54.4 million or 2.8% less than the estimate) and retail sales tax (\$8.3 million or 0.6% less than the estimate) led the list of taxes falling below projections. Overall the total SGF receipts through January of FY 2019 were \$108.7 million, or 2.6 percent below FY 2018 receipts for the same period.

Bills of Note

Transportation Bills (SB 186 – SB 192) – A multitude of bills enacting recommendations of the Transportation Task Force were introduced this week. Concepts such as fees for electric vehicles to a transportation exception in the property tax lid will see consideration in the coming weeks.

Utility Rates (SB 181) – In reaction to concerns and recent testimony about high utility rates, this bill would create the Kansas Energy Policy Task Force to study electric utility services and policies. In the past couple of weeks lawmakers have heard from companies who have shown their utility rates in Kansas being as much as 27% higher than their facilities operating in neighboring states.

Corporate Practice of Medicine (SB 120/HB 2146) – These bills would allow certain business entities to hire physicians who would provide on-site and near-site health services to employees. The intent is to provide medical services supporting employee health and reduce absenteeism. The House Public Health and Welfare Committee heard testimony from proponents and opponents authorizing the practice in Kansas. Opponents fear employer influence could jeopardize the doctor/patient relationship.

Committee Hearings

Economic Development (HB 2006 and HB 2043) - As reported previously, HB 2006 and HB 2043 deal with accountability and public access to information relating to tax exemptions and economic development programs. The Chamber supports a thorough review of economic development incentives and believes that a periodic review ensures the programs are effective with recruiting and retention while also providing a solid return on investment for taxpayers. Our larger concerns centered on public disclosure. We spent a considerable amount of time making modifications to HB 2006 that will provide for appropriate disclosure while protecting sensitive information. The bill will be “worked” by the House Commerce, Labor and Economic Development Committee next week.

Online Sales Tax – Legislative Post Audit, the state’s fiscal and performance auditing arm, released their study of online sales taxes on Wednesday. The report focused on two questions: 1) How do Kansas’ online sales tax laws compare to those in a sample of other states: and 2) How much revenue would the state generate through online sales taxes?

The backdrop for this study was the recent U.S. Supreme Court decision in *South Dakota v. Wayfair* which opened the door for states to apply taxes to online retailers who don’t have a physical presence in the state. In answer to Question 1, the study showed that Kansas lagged most of the control group of states (AL, IA, KY, MS, NE and OK) in having the appropriate laws

in place to levy the tax on online retailers. HB 2352 has been introduced to address the needed changes.

As to Question 2, the report showed that Kansas could collect an additional \$40 million to \$70 million in sales tax revenue annually over what the state collected in FY 2018 if the appropriate laws are enacted. Lawmakers are interested in this as a fairness issue to local brick-and-mortar stores while also providing a funding mechanism to support other priorities being discussed such as school finance and lowering the sales tax on food.

Transportation Plan

In preparation for the development of a new long-range transportation plan lawmakers continued to get briefings from Kansas Department of Transportation (KDOT) officials and Kansas Turnpike Authority (KTA) officials. KTA provided an update on their progress toward commitments they made in 2015. To date, 24 projects from their plan valued at nearly \$200 million have been completed with more projects still in progress. KTA's goal is to improve the customer experience on the turnpike system with safer, more efficient roads and a modernized system. KTA is looking forward with an eye toward partnering with interested communities wishing to evaluate the innovative use of tolling on local projects.

KDOT unveiled their Action Plan to not only complete unfinished T-works projects but map out a strategy that will lead to a new long-term plan. With an additional \$160 million included in Governor Kelly's recommended budget and a strong desire from lawmakers to close the "Bank of KDOT" the idea of planning and executing major transportation projects is top of mind and realistic for many in the capitol who are advocating for focused attention on our infrastructure needs.

School Finance

Governor Kelly's proposal to add \$360 million into K-12 funding over the next four years was the focus of considerable discussion this week. School funding advocates continue to indicate their willingness to bring the years-long legal battle to a close with approval of the governor's recommendation. However, many lawmakers remain skeptical that that litigation will end, and that enough revenue exists beyond FY 2020 to make the \$90 million per year commitment. As has been the case in most recent years, the debate over K-12 funding is shaping up to be a key lynchpin to an overall budget agreement as lawmakers stake out their positions on school finance.

Floor Action

This week the House took center stage with floor action on Thursday that rejected Governor Kelly's plan to re-amortize the state employee pension plan (KPERS) to free up \$176 million for the budget. On an 87-36 vote house members rejected a motion to queue up the bill for final action. This vote leaves the bill on the house calendar but effectively killed the idea for now.

This was a key element in Governor Kelly's budget and the lack of this funding will have to be balanced with other revenue or strategic cuts.

Upcoming Events

Legislative Breakfast Series. Breakfast #3 in our series held in conjunction with the Johnson County Public Policy Council begins at 7:30 a.m. on Saturday, **March 23**. Panelists will be: Senator Dinah Sykes; Representative David Benson; Representative Tom Cox; Representative Jerry Stogsdill; Representative Sean Tarwater and Representative Brandon Woodard. To register, [click here](#).

Public Policy Committee Meeting. The next meeting of the **Public Policy and Advocacy Committee** will be noon-1:30 p.m. on **Friday, March 8** at the Chamber. To register, [click here](#).