

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of January 28 – February 1, 2019*

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Week three has drawn to a close and the pace at the capitol can still be characterized as leisurely. Informational briefings continue and there is a slight uptick in the number of actual bill hearings being conducted in committee, but we don't seem to have hit full-stride yet. To date, there has been very little floor action in either chamber. As always, we are monitoring bill introductions each day for their impact on businesses and our community.

Key Hearings

Tax Changes –Senate President Susan Wagle (R-Wichita) created the Senate Select Committee on Federal Tax Code Implementation and took the unusual step of appointing herself chair. This committee has the identical membership to the standing Senate Assessment and Taxation Committee with the exception of Senator Wagle serving as chair in place of Senator Caryn Tyson (R-Parker). The committee is solely focused on SB 22 which addresses tax changes precipitated by the federal Tax Cuts and Jobs Act of 2017. The committee met for three days of testimony from tax experts and business groups before taking action on Thursday to pass the bill out of committee.

The bill creates changes in KS tax law that impact individuals and corporations. Individual provisions would allow taxpayers to itemize their state tax return even if they take advantage of the newly-increased federal standard deduction. On the corporate side the changes seek to prevent the imposition of a tax on repatriated foreign income – something we've never taxed before. These changes to the individual and corporate tax codes are commonly referred to as "decoupling" because without action Kansas automatically conforms to federal changes. The Overland Park Chamber

provided testimony offering general support while urging lawmakers to exercise caution as they evaluate the full impact of the fiscal note on our budget and our obligations.

Internet Sales Tax – In the wake of the U.S. Supreme Court’s ruling in favor of South Dakota in the recent South Dakota v. Wayfair case, states – including Kansas – are looking at how to apply sales taxes to internet sales. The idea behind the tax is to level the playing field for brick-and-mortar stores and their online competitors. Lawmakers received updates from Department of Revenue officials and tax experts as they considered the possible changes. While no decisions have been made it does appear consensus is coming together in a few areas including establishing a “safe harbor” for low-volume retailers and no retroactive liability. Watch for legislation and hearings on this subject soon.

Transportation – The work of the Transportation Task Force that met throughout 2018 is completed and their report was issued on Monday. You can view the full report by clicking this link: [Final Task Force Report](#) Bills to implement their recommended changes will soon be introduced. Among the Task Force recommendations:

- Creation of a new, long-term plan of at least 10 years that includes funding for preservation, modernization and expansion of our transportation infrastructure;
- Restoration of funding for preservation to protect previous investment in our transportation system;
- Prioritization and completion of 21 modernization and expansion projects that were announced but unfunded in the previous T-Works long-term plan;
- Amending statutes to authorize KDOT, working with the KS Turnpike Authority, to modify restrictions on what tolling can pay for and allow exploration of tolling on local projects with appropriate community input and support;
- Adding an exemption in the tax lid statute for transportation purposes and modifications to demand transfers and consider other revenue options;
- Supporting KDOT’s current project selection process but adding additional merit for projects identified as priority corridors and/or include local participation.

In a separate briefing for lawmakers, Acting Secretary of Transportation Julie Lorenz shared a number of interesting facts with lawmakers when discussing the current state of affairs with KDOT.

- Kansas has the 4th largest system in the nation with 142,046 miles of public roads and 24,833 bridges

- \$600 million in freight is transported daily in Kansas
- KDOT has 600 fewer employees since 2011 and like many private businesses, is having a difficult time finding qualified candidates to fill vacant positions from entry level workers to engineers.
- Approximately \$2 billion has been transferred out of the State Highway Fund since 2011.
- System health has declined from a recent peak in 2005. In 2015 the system health fell below the “steady state” threshold and has precipitously declined since then, indicating rapidly-decreasing quality of our road infrastructure. Steady State refers to a threshold in which road health neither gains or loses life but holds steady.

Despite the many challenges Secretary Lorenz did provide some reason for optimism with the latest budget proposal and committed to finding solutions that will reverse the recent trends and provide high levels of service to all 105 counties.

Economic Outlook – The Senate Commerce Committee received a briefing from Jeremy Hill, Director of the Center for Economic Development and Business Research, which is part of the W. Frank Barton School of Business and Wichita State University. Key findings from Mr. Hill’s presentation included:

- Expected improvement in most markets within Kansas
- Employment growth is expected to return to the state
- Expectations of a looming recession have been delayed to 2020 or later;
- Growth in U.S. consumption, improvements to the aerospace supply chain and positive business/consumer outlook are reasons for optimism;
- Commodity prices, small skilled labor pool, trade wars and slow population growth are reasons for concern.

You can view Hill’s presentation at these links:

- [Full presentation](#)
- [Forecast specific to Johnson County](#)

Utility Rates – Lawmakers received informational briefings from a number of sources regarding utility rates and there was consensus on a key issue: utility rates in parts of Kansas are significantly higher than our neighboring states. This is creating an economic disadvantage for Kansas residential, commercial and industrial consumers. Spirit Aerosystems in Wichita noted their electricity cost per kilowatt hour is 27% higher than the rates of their Oklahoma-based operations. The Kansas Industrial

Consumers Group provided additional data from 2018 showing the residential per kilowatt hour rate in Kansas from KCP&L was \$0.1364/kwh and Westar was \$0.1314/kwh while rates from neighboring states ranged from \$0.1094 (Ameren – St. Louis area) to as low as \$0.0932 (SEPC in the NW Arkansas). Similar disparities for commercial and industrial rates were also shown.

Evergy (the new name of the now merged KCP&L and Westar) stated that large investments they've already completed in facility modernization and upgrades have been a significant driver of their higher rates. They noted neighboring utility companies have yet to incur these necessary costs but will be doing so soon. This, according to Evergy, will force rate increases in neighboring states and level the playing field.

The legislature continues to grapple with concerns over higher utility rates in a quest to find an effective solution. Expect additional action on this topic soon.

Economic Development/STAR Bonds – Accountability and public disclosure of economic development incentives was the focus of HB 2006 that was cued up for a hearing on Thursday. The Chamber provided support for the concept of the bill but raised concerns with provisions related to privacy. HB 2043 is a similar bill, at least in concept, that also seeks to address transparency and accountability with incentives. This bill had a hearing earlier in the week.

For several years, lawmakers have attempted to get a handle on the cost of economic development incentives and other tax breaks in order to evaluate return on investment for taxpayers. Many states have systems in place to aid lawmakers in assessing incentives and tax breaks for effectiveness.

The House Commerce, Labor and Economic Development Committee heard from numerous conferees but took no action on the bill.

Upcoming Events

Legislative Breakfast Series. Breakfast #2 in our series held in conjunction with the Johnson County Public Policy Council begins at 7:30 a.m. on Saturday, February 16. Panelists will be: Senator Barbara Bollier; Senator Pat Pettey; Senator John Skubal; Representative Megan Lynn; Representative Susan Ruiz and Representative Kellie Warren. 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, February 8** at the Chamber. To register, [click here](#). Our featured guest will be Kansas Economic Progress Council lobbyist Patty Markley.