



# **Bright and Carpenter Consulting, Inc.**

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## **May 3, 2016 Final Legislative Report**

### **2016 Kansas Legislative Session Adjourns**

The 2016 Kansas Legislative Session concluded at 3:28 a.m. on Monday after a rule was suspended that allowed the House of Representatives to work past midnight. The final and most anticipated piece of business was the passage of the omnibus budget bill that leaves a positive ending balance of \$27.4 million in fiscal year 2016 and \$81 million in 2017.

House Substitute for Senate Bill 249 narrowly passed the House at 1:27 a.m. by a vote of 63-59 after one hour of debate. Two hours later, the Senate approved the measure by a vote of 22-18. The bill includes several budget provisos approved by the Senate Ways and Means and House Appropriations Conference Committee and anticipates Governor Brownback using his allotment authority to make some of the cuts he proposed to the Legislature prior to the start of the Veto Session:

**Highway Fund** - \$70 million of sales tax income from the Highway Fund to the State General Fund (SGF) in FY 2016 and \$115 million in FY 2017. The Kansas Department of Transportation has said the sweep will delay 25 planned modernization and expansion T-WORKS projects through 2019 at an estimated cost of \$553 million.

**KPERS** - \$99 million fourth quarter payment to the Kansas Public Employee Retirement System (KPERS) will be delayed at 8% interest. However, two income streams have been dedicated to the repayment. Any state revenue that exceeds expectations will be diverted to KPERS rather than the SGF. Any future tobacco settlement funds in excess of \$42 million – what the state currently spends on children’s programs – will also go toward paying down the debt.

**Agencies** – 3% to 5% across the board cut to all state agencies. A special provision was included in conference committee negotiations to exempt K-12 education from these allotments.

**Higher Education** - \$17 million to all Regents institutions based proportionally on their total budget. Larger universities will see a bigger hit than smaller ones. Last year’s tuition cap was also removed.

There was a strong effort – that ultimately failed in the House by a vote of 45-74 – to repeal the LLC non-wage income tax exemption that passed in 2012. House Substitute for Senate Bill 63 wouldn’t have gone into effect until January 1, 2017, thus not helping fill the state’s budget shortfall for this fiscal year. However, a growing number of Legislators were determined to get the measure to the floor and allow members to finally vote on one of the more contentious issues this year.

The rest of the five-day Veto Session consisted mostly of conference committee meetings, where three representatives from both the Senate and House negotiate bills that passed only one Chamber during the regular session. Compromises are then sent to the full body for a vote in the form of a conference committee report, which usually includes several similar-subject bills bundled together.

Below highlights a few of the conference committee reports that passed the Legislature during the Veto Session and await Governor Brownback's signature into law:

**Kansas Bioscience Authority Sale, STAR Bond Reform** – House Bill 2632 passed 40-0 in the Senate and 89-32 in the House. The bill authorizes the private sale of the Kansas Bioscience Authority. This \$25 million was included in the Governor's budget approved earlier this year. HB 2632 also reforms the Sales Tax as Revenue (STAR) bond program in some of the following ways:

- Prohibits the transfer of bonds between districts, thus ensuring that the \$42 million in sales tax revenue from the nearly-paid-off Village West district in Wyandotte County comes back on the tax rolls and is not diverted to a new district.
- Prohibits automobile dealerships from entering into the program. Over 20% of the state's sales tax revenue comes from car dealerships.
- Requires the Department of Commerce to submit a report to the Legislature each January on the status of the program.

**Step Therapy** – House Substitute for Senate Bill 402 passed 27-13 in the Senate and 79-43 in the House. The bill requires health care providers to follow a "step therapy" protocol – trying less expensive drugs before moving to more costly ones – when prescribing medications to Medicaid patients. The bill includes several patient protections including a 30-day test period and physician override within 72 hours. The proposal is expected to save the state \$10 million next year in prescription drug costs.

**Property Tax Lid** – Senate Substitute for House Bill 2088 passed 37-3 in the Senate and 112-5 in the House. The bill modifies portions of a property tax reform package that passed last year and moves up the effective date from January 2018 to January 2017 for requiring a public vote before cities and counties can raise property taxes higher than the rate of inflation.

**Property Tax Valuation Appeals** – House Substitute for Senate Bill 280 passed unanimously 40-0 in the Senate and 122-0 in the House. The bill requires that property must be valued based on the fair market value by the Board of Tax Appeals and not solely on a mass appraisal of the property, requires counties to follow valuation methods developed by the Property Valuation Division and clarifies that counties cannot take matters into consideration that occur after January 1 when establishing property tax valuation.

**Workers Compensation** – House Bill 2617 passed unanimously 39-0 in the Senate and 113-0 in the House. The bill allows workers compensation claims to be filed electronically and eliminates the requirement for the Department of Labor to maintain a licensed physician on staff.

**Employee Scheduling Policies** – Senate Bill 366 passed 32-6 in the Senate and 76-45 in the House. The bill includes a preemptive measure that prohibits cities, counties and local units of government from adopting "fair scheduling mandates" that affect the work schedules of private sector employees.

**Rainy Day Fund** – House Bill 2739 passed unanimously 40-0 in the Senate and 119-0 in the House. The bill establishes a budget stabilization fund or "rainy day fund" based on a recommendation from the Alvarez and Marsal government efficiency study.

**Fast Pass** – House Bill 2502 passed 32-6 in the Senate and 92-28 in the House. A larger package of several gun bills, HB 2502 includes a measure that would allow frequent visitors to municipal buildings who pass a background check to avoid long lines and bypass the screening process.

**Open Records** - Substitute for Senate Bill 22 passed unanimously 40-0 in the Senate and 119-0 in the House. The bill renews legislative review exemptions to the Kansas Open Records Act and includes a provision allowing publishing of certain charitable gaming information obtained in bingo licenses and several key insurance investigative reports.

Legislators will return to Topeka on June 1 for sine die adjournment at 10:00 a.m. A special summer session is also possible as lawmakers await the Supreme Court's equity decision on the new school finance formula.