

This Week **in Topeka**

Overland Park Chamber

*Business, Economic Development & Local Government News
from the Legislative Session Week of February 4 – February 8, 2019*

Written by Kevin Walker, Vice President of Public Policy and Advocacy

Week four has drawn to a close but not before the Senate debated two bills that undoubtedly will serve as a backdrop for the remainder of the session. One bill deals with a substantial KPERS payment while the other addresses tax changes because of the federal Tax Cuts and Jobs Act. Details on those bills can be found later in this report.

The session will reach several milestones next week when deadlines for individual bill introductions and committee bill introductions arrive next Wednesday and Friday, respectively. Each session has a series of procedural deadlines to help keep the legislative process moving forward. Looming not too far off is the February 28 deadline commonly called “turn around day.” This is when bills need to have been considered by their house of origin and passed to the opposite chamber to remain alive for future consideration. There are exceptions but turn around always signifies an important milestone in the legislative session.

Lawmakers began the laborious process of creating the new budget. Subcommittees have been holding hearings all week to gain an understanding of what was included in Governor Kelly’s budget recommendations and to hear from conferees on requested changes. This is the first step in a budget-building process that will last the remainder of the session. We’ve kept a watchful eye on the budget for the Department of Commerce where the agency requested an allocation of \$85.8 million from all special funds for FY 2020 which represents a 6.3% reduction from last year’s revised estimate. Governor Kelly recommended an increase of \$1.3 million (1.5%) above the agency’s request.

Bills of Note

State Contracts (SB56/HB 2115) – These identical bills would require certain contractors with the state to obtain and use computer software to aid in compliance with terms of their contracts. The bills require software that automatically would capture screenshots, track mouse event frequency and key strokes. Additionally, the costs of the software and associated long-term storage must be borne by the vendor and not passed onto the state. The Chamber, along with

several members, participated in a meeting with the vendor to voice our concerns – especially with privacy issues – and make it clear we oppose the bills due to their adverse impact on businesses. The bills were originally slated for hearings but, based on negative reaction, the hearings have been cancelled.

Electric Utility Rate Study (SB 69) – This bill would require a study of electric utility rates of public utilities operating in Kansas. Included in the study would be an evaluation of rate increases and decreases since 2005, the primary causes for the rate changes and an evaluation of other factors in setting electricity rates in the state. The impact of high utility rates – especially when compared to our neighbors – is significant and should be studied carefully. Testimony in earlier hearings on electric rates showed significant disparities between the rates in Kansas and our neighboring states putting our business environment at a disadvantage in this regard.

Sales Tax on Food (SB 76) – This bill would reduce the state sales tax on food to 5.5% beginning July 1, 2019; 4.5% on July 1, 2020; and ending at 3.5% on July 1, 2021. A somewhat similar bill, HB 2128, also addresses this topic with additional considerations. HB 2128 would reduce the sales tax on food to 4.5% on July 1, 2019. When coupled with local sales tax rates consumers in Johnson County can pay upwards of 10% sales tax on food. By comparison, Missouri levies a 1.2% state sales tax on food while Nebraska and Colorado levy no tax on food.

Senate Floor Action

The first substantial action of the session was held in the Kansas Senate this week as senators debated two bills with substantial fiscal impact. Due to a combined fiscal note of more than \$300 million, these decisions will have implications throughout the session as other big-ticket items are discussed.

KPERS Payment – SB 9 was debated on Tuesday afternoon and passed 40-0 on final action the following day. The bill authorizes a one-time \$115 million payment from the state general fund to the state's public employee retirement fund. The payment, which included interest, makes up for skipped payments when the state faced dire budgetary shortfalls the past few years and allocated the money for other purposes.

Taxation - Wednesday's feature attraction was the floor debate on SB 22, the individual and corporate tax break bill we've featured in past reports. Senators spent several hours debating the pros and cons of the bill and considering amendments before voting to advance the bill for final approval. During Thursday afternoon's session, final approval was granted on a 26-14 vote. The bill is now headed across the rotunda where the House will take its turn discussing the bill.

Much of Wednesday's debate focused on the still shaky fiscal note the Division of the Budget pegged at approximately \$187 million for FY2020. Of that total, they estimated that \$50.1 million

would be related to individual taxpayers itemizing deductions in FY2020. Another contentious point in Wednesday's debate was the timing of the bill. With such a substantial fiscal impact, the Governor and several senators would have preferred this debate after the April consensus revenue estimates are released, to avoid, in their opinion, creating another fiscal crisis. Proponents argued that early passage of this bill is necessary as tax filing season has begun and the bill has implication for the current tax filing year.

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. HB 2043 passed out of the House Taxation Committee on Wednesday and simply sets up a recurring cycle for review of the various exemptions and programs. HB 2006, scheduled for a hearing on Thursday, February 14, in the House Commerce Committee, requires that information related to economic development programs be posted on the Department of Commerce website. The Chamber supports accountability and ensuring an appropriate return on investment for the state and taxpayers. However, we continue to express concerns related to privacy and the impact that broad public disclosure could have on economic development activity in Overland Park.

School Finance (SB 44) – The Senate Select Committee on Education Finance held a hearing on the Governor's plan to fund K-12 schools and end school finance litigation that has dogged the state for many years. Supporters of the plan said they would drop their lawsuit if the plan was adopted as presented in the bill. The plan adds approximately \$90 million per year to the more than \$500 million added just a year ago.

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, March 1st** at the Chamber. To register, [click here](#).