

2016 KANSAS LEGISLATIVE E-REPORT #17

Paul Johnson – June 3, 2016

SCHOOL FUNDING SHOWDOWN

The Kansas Supreme Court has spoken unanimously. The school funding bill - passed by the 2016 Kansas Legislature - did not fix the equity problem between richer and poorer school districts. The Legislature just moved existing money around in the formula without adding the \$40 million in extra funds necessary to equalize property tax for the low wealth districts. The Court has now spoken and it is up to the Governor and the Legislature to respond. The Court has given the Governor and the Legislature a June 30 deadline to fix this inequity or public schools will not open on July 1. Is a constitutional crisis in the offing if the Governor and the Legislature refuse to act?

There are so many unanswered questions in this governmental showdown. Can school districts continue to spend their cash reserves to keep the schools open for a few weeks after July 1? Shawnee Mission school district in Johnson County has announced they have enough reserves to last till September 1. Many school districts simply do not have such cash reserves. If the schools close July 1, can school employees draw unemployment checks? What happens to federal funds for summer nutrition programs or other services for low income students? Public schools and its 67,000 employees account for 4.5% of total Kansas wages along with the \$657 million spent on supplies and \$735 million on services. The loss of salaries will mean less income taxes paid to a revenue-challenged State thus further complicating the budget crisis.

The budget crisis continues to deepen so will public schools avoid reductions in the block grant for 2017? May revenue receipts came in \$75 million short of estimates. The Governor signed a budget bill ten days ago that assumed an ending balance of just \$27 million to end this fiscal year on June 30. (By law, the ending balance should be 7.5% of the \$6 Billion State General Fund (SGF) – approximately \$450 million) Now Kansas is in the red to the tune of \$55 million. The Governor has announced they can move around fee funds to patch this hole. There are legal questions over moving fees collected to fund specific services (water fees, banking regulation, real estate licenses, etc.) can be swept into the SGF. June revenue receipts could also be a factor. Certain payments for schools or medical care will certainly be delayed from June to July to put those payments in the new 2017 fiscal year. If the ending balance is between \$0 and \$100 million the Governor has the discretion to make targeted reductions. If the ending balance falls below \$0 and the budgetary tricks cannot move it above \$0, mandatory allotments for all programs including K-12 education are initiated.

To this point the Governor has not announced whether he will call a special session of the Legislature. It takes close to 10 days for such a special session to be operational. June 30 is 27 days away and any action taken by the Governor and Legislature must be presented to the Court for a ruling. To fix this equity problem for 2017 would take some \$40 million and moving some dollars out of the extraordinary need program. The 2017 budget signed by the Governor had an ending balance of \$87 million but most of that was lost in the May receipts and could further suffer with June revenue receipts. The options for increasing taxes for immediate relief are pretty limited. The special session could increase the sales tax but it would take till October 1 for implementation. The 20 mills of property tax for schools (that started at 35 mills in 1995) could be increased for calendar year 2017. The gas tax could be increased a dime and this would save the SGF close to a \$100 million annually. The income tax bracket for the wealthiest Kansans could be reinstated for 2016 and the exemption of not taxing non-wage business income for the 333,000 LLC's could be capped at \$100,000 thus dropping the cost from \$250 million to \$25 million yearly. Times of desperation require heroic political leadership. Those times of self-inflicted desperation have come to Kansas. Election year or not, creative and purposeful leadership is now required to save our State.

(For in-depth webinars - on the Court's school decision and the results of the 'sine die' one day session on June 1 - hosted by the Kansas Association of School Board's Mark Tallman go to this site and watch the webinars on May 31 and June

3: http://www.kasb.org/wcm/Advocacy_Services/Webinars/wcm/AdvS/Weekly_Legislative_Updates.aspx?hkey=fa7fbd36-053c-420a-a8e5-6205f17d7bce)

ELECTORAL BATTLES

The June 1 deadline for candidates to file for the 40 Senate seats and the 125 House seats has now passed. 23 Senators and Representatives announced their retirements. 354 candidates have filed in 2016 compared to 399 in 2012. There are 100 Senate candidates. 47 are Democrats and 53 are Republican. There are 254 candidates for the House. 151 are Republicans and 103 are Democrats. There are 39 races where there is just one candidate from a major party. In the Senate, there are 4 Democrats running unopposed but no Republicans are running unopposed. In the House there are 18 Republicans running unopposed and 17 Democrats. Out of 125 House seats over 25% of the seats are now settled. Two of the top three leaders in the House - including the Speaker - have retired so there will be new leadership for the 2017 session.

2016 KANSAS LAW

Senate Bill 326 amends several statutes related to the production of alcohol. The bill increases the amount of beer that can be manufactured with a microbrewery license from 30,000 to 60,000 barrels in a calendar year. The bill allows a microbrewery to manufacture and distribute not more than 100,000 gallons of hard cider. Under previous law, microbreweries could manufacture only beer. The bill amends the Liquor Control Act to remove the one-year residency requirement for microbrewery, microdistillery, and farm winery licensees. These licensees are still required to be Kansas residents.

Senate Bill 418 establishes the Host Families Act, amends the Family Law Code with regard to use of a domestic violence offender assessment and certified batterer program; amends law related to the medicating of a child and access to files in child in need of care proceedings; and creates and amends law related to human trafficking, sexual exploitation of a child, children in need of care, and juvenile offenders.

House Bill 2502 makes changes to several laws concerning firearms in regards to air guns in schools, active duty military personnel, public employers/employees, public buildings, restricted access entrances and adequate security measures.

House Bill 2460 creates and amends law in the Kansas Consumer Protection Act regarding identity theft and identity fraud and creates the crime of violation of a consumer protection order, regarding door-to-door sales.

Sub. for HB 2151 creates law relating to community parenting release, eyewitness identification and amends law relating to grand juries.

House Sub. for SB 227 establishes the Contaminated Property Redevelopment Act, which allows a purchaser of real property acquired after July 1, 2016 to be released from environmental liability for pre-existing contamination. The bill also creates a redevelopment program for municipalities.

House Bill 2632 authorizes the State Finance Council to oversee the sale of the Kansas Bioscience Authority or substantially all of its assets. The bill also revises provisions of the Sales Tax and Revenue (STAR) Financing Act pertaining to the annexation of area into a STAR bond district, pledges for future financial support from the State, an 'eligible area', and annual reporting to legislative committees.

House Sub. for SB 193 amends the Freedom from Unsafe Restraint and Seclusion Act to add and clarify definitions. The bill revises the standards for the use of emergency

safety intervention (ESI) and requires local school boards to develop and implement policies governing the use of ESI.

Sub. for SB 323 enacts the Jason Flatt Act (suicide prevention), establishes a language assessment program coordinated by the Kansas Commission for the Deaf and Hard of Hearing, and amends the capital improvement state aid formula for school districts.

House Bill 2558 prohibits cities and counties from regulating or prohibiting certain actions related to door-to-door campaigning for elective office. The bill permits hospital districts to hold elections in even-numbered years.

Senate Bill 248 prescribes the priority for expenditures and grants for family planning services financed with federal Title X funds.

House Sub. for SB 402 makes changes pertaining to eligibility for public assistance. This bill enacts a 'step therapy' for drug usage or drug therapy for Medicaid recipients.

Senate Bill 366 prohibits cities, counties and other political subdivisions from enacting or enforcing policies pertaining to price control of real estate, labor work schedules, and nutrition labeling. The bill also restricts cities and counties from administering residential rental property inspections if certain conditions are not met.

Sub. for SB 22 creates and amends law relating to public records and the Kansas Open Records Act.

House Sub. for SB 168 revises statutes of the Kansas Public Employee Retirement System (KPERs) pertaining to working after retirement.

House Sub. for SB 249 includes omnibus funding for FY 2016, FY 2017, and FY 2018 expenditures for most state agencies.

Senate Sub. for HB 2088 moves to January 1, 2017 the effective date of a tax lid for cities and counties. Under the tax lid provisions, increases in property tax dollars levied beyond the rate of inflation generally require voter approval, except that certain types of property tax increases are exempt from the computation involved in determining whether mandatory elections are necessary.

(Detailed information on these bills can be found at the Kansas Legislative Research Department's *SUPPLEMENT II TO PRELIMINARY SUMMARY OF LEGISLATION 2016 KANSAS LEGISLATURE* – May 5, 2016. <http://www.kslegresearch.org/KLRD-web/Publications.html>)