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April 15, 2015

The 2015 Legislative Session came to its regular session close on Thursday, April 2nd as legislators headed home for their Spring Break. They will return for Veto Session on April 29. At that point, they will finish the main objectives of the 2015 session—a budget and a tax plan to fund the state budget. Legislators spent most of their time during the final days in conference committees, negotiating bills and finding agreement on issues.

The Governor has said he wants to see a spending blueprint for the state that also erases a projected shortfall of nearly \$600 million. Many believe spending cuts cannot fill that hole and revenue enhancements will be needed. However, as predicted all session, the tax committees are both waiting until after the Consensus Revenue Estimating Group meets on April 20th to project the numbers for the next fiscal year before it is determined how much revenue they will need to make up. The Senate approved a \$15.5 billion budget for the fiscal year beginning July 1 that won't balance without tax increases. The House did not take up their budget. However, budget negotiators for both the Senate and House met all week and came to a tentative agreement on Thursday, leaving open possible changes at Veto Session depending on the state's fiscal outlook.

Tax collections rebounded in February, but March receipts were \$11 million below projections. Kansas tax-only revenues are now \$48.3 million below the November-adjusted Consensus Revenue Estimates on which the governor based his budget for the upcoming two fiscal years. The Department of Revenue's release emphasized an increase in individual income tax receipts, up \$8.6 million or 6.7% above estimates, and \$28.3 million or 25% over last March. Sales taxes for March produced \$162.7 million in revenue, \$6.2 million or 3.7% less than estimates of \$169 million. The state's sales tax receipts were just \$426,000 more than last March, and for the year-to-date, collections were \$33.7 million or 2.1% over last year. Corporate income tax receipts were \$36.7 million or \$8.2 million less than estimates, oil severance tax of \$3.9 million or \$4 million under estimates and gas severance tax of \$1.96 million or \$1 million below estimates.

Legislators will return Wednesday, April 29th for the Veto Session, but they have most of the major issues that they must finish left to do.

Water Issues

Water issues were at the forefront of legislative actions during the regular session, but there are several issues that are not yet completed. Below is some information on bills approved by the legislature and sent to the Governor.



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House Sub. for SB 36 creates the Local Conservation Linked Deposit Lending Program. The purpose of the program is to facilitate loans by eligible financial institutions for the construction, design, rehabilitation, and enhancement of non-point source water pollutions control systems for public or private owners. The bill gives authority to the Secretary of Health and Environment (Secretary) to prepare a non-point source management plan identifying eligibility criteria, practices eligible for funding, eligibility criteria for borrowers, eligibility criteria for costs, project completion and certification requirements, and process. Under the bill, eligible borrowers includes individuals, limited liability agricultural companies, limited agricultural partnerships, family farm corporations, responsible parties, or owners of real property not including the State, state agencies, the federal government, or any agency of the federal government.

SB 156 establishes water conservation areas, prescribes testing methods for agricultural liming material, and provides for the operation and maintenance of groundwater gage sites in the Arkansas River Basin.

The bill permits a water right owner or a group of water right owners in a designated area to enter into a consent agreement and order with the Chief Engineer to establish a water conservation area. The bill requires the water right owner or owners to submit a management plan to the Chief Engineer. The management plan is the basis of the consent agreement and order and must meet several requirements.

Prior to execution of any consent agreement and order of designation, the bill requires the Chief Engineer to notify in writing the GMD within which any participating water right is situated. The GMD is given an opportunity to provide a written recommendation regarding the water conservation area and management plan within 45 days of notification by the Chief Engineer.

The bill also eliminates the reference to the testing methods prescribed by the Association of Official Analytical Chemists with regard to the testing of agricultural liming materials sold, offered, or exposed for sale in Kansas.

Budget Items

Airfares: The conference committee agreed to take the appropriated amount for the Kansas Affordable Airfares Program to \$5 million for FY 2016 and delete any founding for FY 2017. This was done in House Appropriations originally on a motion by Rep. Suellentrop.

NIAR: NIAR is funded at \$5 million for the next 2 fiscal years.

NCAT: Funded for the next 2 fiscal years at \$3 million per year. This is the same amount as was appropriated in the current fiscal year, after allotments by the governor.



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CTE Funding: The conference committee recommends an additional \$750,000 for the technical education incentive to local school districts. There is not enough money in the budget to satisfy the full demand for the program, and none is being added in the conference committee report.

Transportation Funding: Since its passage in 2010, approximately \$2.1 billion dollars has been diverted to the State General Fund from the State Highway Fund to balance the budget. Under the current budget proposal for FY 2016 and 2017, more than \$376 million is transferred from highway funds to the general fund for each year.

Difficult Decisions for Veto Session

The toughest decisions have been saved for the wrap-up session. The Senate passed a budget and conferenced with House Appropriations, to work out a rough agreement on the budget. The Consensus Revenue Estimating Group (CREG) meets April 20th to develop the latest estimates which the final version of the budget will be based on.

The CREG meeting will have major impacts for the remainder of the session. The estimates will dictate what the budget will look like and how much additional revenue they will need to raise to balance the budget. The tax issue is the hardest decision for all the current legislators, many of whom were not in the legislature when the current tax system was passed. If the CREG estimate decreases the expected revenue, the financial shortfall for the state gets larger, if the estimate is better than expected, than that hole shrinks.

HB 2003, which originally dealt with “island annexation” will also likely be a hot topic for the legislature upon their return. As the bill was amended by the Senate, it would require express consent of the board of county commissioners by resolution adopted within 30 days following the date of the city’s required hearing on the proposed annexation under these circumstances: if the land to be annexed is platted and some part adjoins the city, if the land lies at least mainly within the city and has a common perimeter with the city boundary line of more than 50 percent, if the land to be annexed is no more than 21 acres and the annexation will make the city boundary line straight or harmonious, or if the land to be annexed is no more than 21 acres and two-thirds of any boundary line adjoins the city. The bill, if approved, would become law upon publication in the Kansas Register.

The Senate approved SB 42, which would address the reporting of public funds used for lobbying. The bill would require reporting by both lobbyists and governmental entities. Under the bill, every registered lobbyist would be required to provide a detailed report of all public funds received by the lobbyist from a governmental entity, or any association or organization that receives public funds. The report would be submitted to the Secretary of State and must include a listing of the amount of public funds paid to hire or contract for the lobbying services of the lobbyist and the association or organization re-



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ceiving public funds hired the lobbyist. The bill is expected to be discussed in conference committee when they return.

SESSION DEADLINES

Monday, January 12

First day of 2015 session; convene at 2:00 p.m.

Monday, February 2

Last day for member or members to submit REQUESTS to Revisor's office for bill drafts.

Monday, February 9

Last day for Committees, except House and Senate Federal and State Affairs, Senate Ways and Means, Senate Assessment and Taxation, House committees on Calendar and Printing, Appropriations, Taxation or select committees of either house when so authorized, to submit REQUESTS to Revisor's office for bill drafts.

Wednesday, February 11

Last day for Individuals to INTRODUCE bills in originating chamber.

Friday, February 13

Last day for Committees, except committees listed above, to INTRODUCE bills in originating chamber.

Friday, February 27 (Turnaround Day)

Last day to CONSIDER BILLS IN HOUSE OF ORIGIN, except by House and Senate Federal and State Affairs, Senate Ways and Means, Senate Assessment and Taxation, House committees on Calendar and Printing, Appropriations, Taxation or select committees of either house when so authorized.

Wednesday, March 25

Last day to CONSIDER BILLS NOT IN HOUSE OF ORIGIN, except by committees listed above.

Friday, April 3 (Drop Dead Day)

No bills considered after this date except BILLS VETOED BY GOVERNOR, OMNIBUS APPROPRIATIONS ACT AND OMNIBUS RECONCILIATIONS SPENDING LIMIT BILL.

Veto session is anticipated to begin on Monday, April 27.