



League of Women Voters of Kansas

Policy Watch Weekly Update by Paul Johnson

*Members receive **Policy Watch Weekly Update** throughout each Kansas legislative session. Reports may also be found at lwvk.org.*

Week #6 REVENUE ROUNDUP

February 17, 2017

The revenue debate has begun for real. The Kansas House passed [House Bill 2178](#) that reverses a certain portion of the income tax cuts that passed in 2012. The Kansas Senate finally debated and defeated Senate Bill 188. This bill was presented by the Senate Democrats that would have raised income taxes \$702 million in the first year compared to \$590 million by House Bill 2178. Senate Bill 188 was defeated 30 to 10 while House Bill 2178 passed 76 to 48.

The [Kansas Senate moved House Bill 2178](#) on emergency action to the floor today for an up or down vote that passed 22 to 18 sending the bill to the Governor's desk. The Governor has stated that he would not sign House Bill 2178 that reverses his income tax cuts, but to this point the Governor has not promised a veto. House Bill 2178 could become law within 10 days without the Governor's signature.

The problem is that the income taxes restored in HB 2178 are \$200-300 million short of revenue needs to fully balance the State budget for 2018 and 2019. The Kansas House did pass the 2017 budget recommended by the Governor that had no cuts to public education or higher education, but uses one-time 'idle funds' as a loan for 2017 that must be paid back over seven years. Certain payments to the school districts and KPERS are moved to 2018 or paid at a lower rate.

To this point the Kansas Senate has not passed their version of the 2017 budget before dealing with the revenue question. No new revenues could be raised for 2017 so the Senate would have to accept the Governor's plan or make serious reductions to education and other state programs. To this point the Senate has balked at taking the entire 'idle funds' account of \$365 million to cover just 2017. The Senate would like to keep a portion of this fund for needs in 2018 and 2019 but that necessitates budget cuts in 2017 which has only four months left in the fiscal year to exact those cuts.

The future of the 2018 and 2019 State budget hangs in the balance. The partial restoration of income taxes in HB 2178 leaves an ending balance of just a few million for 2018. The issue of taking most sales tax from the highway fund is still in play. The lowering of payments to KPERS means a higher cost to Kansas as the actuarial balance date is moved from 2033 to 2043. There would be no extra funds to design a new school funding formula that hopefully would restore the operational cuts made over the last seven years. The Governor's plan to securitize the 'tobacco settlement' and use that one-time payment to shore up the ending balances seems dead. To this point, the Governor's proposal to raise tobacco and liquor taxes has had very little traction.

This revenue debate will have many twists and turns to go. The actual revenue collections for March, April and May will impact the final budget. One hope is that the consensus revenue estimators lowered the revenue projections so much last November that increases are more likely as we saw with the January receipts.

The consensus estimators are scheduled to meet on April 20 to develop new revenue projections for the next 30 months. These new estimates will have to be used to finalize the 2018 budget during the veto session that starts May 1.

What is lurking in the background is a decision by the Kansas Supreme Court on the 'adequacy' of school funding. To this point, the revenue source that has not been debated is the 20 mills of property tax dedicated to public schools. In 1995, this mill levy was 35. Every one mill raises \$30 million. If the Court orders more funding, the Court may give the State a few years to raise funds and ratcheting up the mill levy may well be a key part. A final revenue package to supplement the income tax and increase ending balances may well have some consumption taxes (tobacco, liquor) and some fuel taxes dedicated to the highway fund.

WATER ISSUES

The House Water and Environment committee had a long and detailed debate on proposals to raise funds for the State Water Plan (SWP). This committee is very concerned that the momentum gained over the last two years in developing the 50 year Water Supply Vision by the Kansas Water Authority, the Governor's Blue Ribbon Task Force and the 14 regional watershed advisory committees (consisting of 160 volunteers) will be lost and the funding debate restarted a few years from now. Unfortunately, the Governor did not accept the dedicated sales tax proposal from the Blue Ribbon Task Force or the request from the Kansas Water Authority to reinstate the \$6 million transfer from the State General Fund and \$2 million from lottery funds to fund the SWP.

Once again, the revenue crisis stands in the way of fully funding the SWP. The committee requested that the chair, vice-chair and ranking minority member go to the House leadership to see where the full funding of the SWP falls on the priority list. The decision was made to wait for the full revenue debate to play out before taking legislation to the floor to reinstate the revenue transfers. (These are transfers promised long before the Water Vision Plan and the Blue Ribbon

Task Force issued its projections for what is needed to adequately fund the state's water plan. The transfers have not been made for several years).

Two bills passed by this committee have now been blessed so these bills can be debated at any time. The motion was not made to vote on the Blue Ribbon's Task Force dedicated sales tax constitutional amendment (1/10th of 1 cent raising \$45 million). None of the agricultural or municipal interests can answer how to make up for this \$45 million lost to other programs. The large farm groups are adamant that existing fees on chemicals or water use should not be raised and if the sales tax does pass that these existing fees would be repealed.

To pass this constitutional amendment will take a 2/3rds vote of both the House and Senate to put the measure on the November 2018 general election ballot. The Chairman questioned whether if this water proposal is put in the State Constitution, will other groups have a similar request for their programs?

Public education is supposed to be adequately funded and that has been cause for endless litigation. One committee member supported increasing and actually collecting fines on overuse of existing water rights. For another committee member, the concern was over water abuse and that certain irrigators were applying too much water for very limited crop production. What seems clear now is that there is no political support to put a fee on Agricultural use of groundwater even though crop irrigation accounts for 80-85% of water use in Kansas.

What may happen is the development of a groundwater plan and a surface water plan with identifiable fees and funding dedicated to these respective plans. With a water debate that has been going for decades, the mining of the Ogallala water continues with very little improvement and the sedimentation of the reservoirs that supply most Kansans with drinking water continues at an alarming rate.

Beyond the question of funding comes the water battle over defining impairment of a water right and how to enforce the protection of water rights? Amazingly, Kansas has had very few water law cases decided in court to define impairment. Right now a water rights holder that claims an impairment can go directly to court or to the Chief Engineer in the Kansas Department of Agriculture Division of Water Resources (DWR). The court often directs the Chief Engineer to investigate the complaint. Senate Bill 48 mandates that the senior water right holder who claims impairment by a junior right water holder must first file a complaint with the DWR. The Chief Engineer will have two weeks to start the investigation, notify all parties and hopefully resolve the complaint within 12 months. One hope is that DWR will bring consistency to defining an impairment as opposed to a patchwork set of decisions by judges.

As the Ogallala continues to decline, the battle over water intensifies. Does impairment have to be immediate for this growing season or can impairment be calculated for the next decade? State water law states that a water right is a 'property right' that cannot be taken without some compensation but that fundamental issue has never been fully litigated and decided by a

Kansas court. The dilemma is that Kansas has over-appropriated the Ogallala with too many water rights and yet by law this groundwater is owned by all Kansans.

LEGISLATIVE NOTES

The debate over KanCare (Medicaid) expansion continues on over the actual cost to the Kansas budget. KDHE and the Division of the Budget have set very high costs to the State while the advocates stress the complete economic impact of expanded employment, better payment rates to providers and less costly emergency care & uncompensated care by all hospitals. With the strong support by many groups, it is hard to believe there will not be a full House floor debate.

The noxious weed debate continues in the Senate. The House held a hearing last week on HB 2246 which would amend the noxious weed law; it appears there will be no further action this session (although we will watch this.) However, the Senate Agriculture and Natural Resources committee passed Senate Bill 117 that allows any county the authority to declare 'the wild blackberry' a noxious weed in their county. Counties can also declare the 'multiflora rose' and the 'bull thistle' a noxious weed. The State has 12 weeds on the statewide list that are listed as noxious. SB 117 was requested by the Kansas Livestock Association. The concern came from Chase County with particular concern over grazing areas and that burning the Flint Hills expands the areas of wild blackberries. The primary chemical control will be 2-4D.

The gun debate on concealed weapons in public buildings has made little progress so far. On a voice vote, the Senate Federal and State Affairs committee refused to endorse a bill to allow certain public buildings the right to ban concealed guns. This past week the House Federal and State Affairs committee tied 11 to 11 on passing legislation to allow the KU Hospital the right to continue to ban concealed guns. The Chairman refused to vote to break the tie. If possible, amendments on this issue will be offered on the House and Senate floor.

This 2017 legislative session is approaching the halfway point next week. Final committee hearings will be held on Monday while the full House and Senate will have all-day floor debates on Tuesday, Wednesday and Thursday to beat the deadline to move legislation to the second chamber. The House and Senate will be off from February 24 to March 6. The final day of the regular session will be April 7. The veto session will start May 1 and it is very uncertain how long the veto session will last. There have been 366 bills filed in the House and 204 bills filed in the Senate.

FEDERAL ANTITRUST ENFORCEMENT

Hundreds of organizations including the Kansas Rural Center oppose the impending mergers of the world's largest agrochemical and seed companies. The proposed mergers – of Dow Chemical with DuPont, Monsanto with Bayer AG, and Syngenta with ChemChina – are each problematic on their own, with many likely negative impacts on farmers, businesses, workers,

and consumers. It is predicted that if all three deals were to close, the three resulting companies would control nearly 70% of the world's pesticide market, more than 61% of commercial seed sales and 80% of the corn-seed market. Such a heavily consolidated seed and agricultural input industry makes it easier for cartel-like tacit collusion that raises prices for farmers and other buyers. More concentration of power and less competition will lead to reduced responsiveness to documented farmer and consumer desire for ecologically sound technologies that are cost-effective and sustainable, meaning less choice in the marketplace for seeds, inputs and foods.



The **League of Women Voters of Kansas** is a grassroots, volunteer, political organization with [nine local Leagues across the state](#). For nearly 100 years, LWVK has encouraged the informed and active participation of citizens in government and has influenced public policy through education and advocacy. The League never endorses candidates or political parties.

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