

HIGHLIGHTS FROM

2015 LEAGUE OF WOMEN VOTERS OF KANSAS E- REPORT # 14

April 24, 2015

This report was written while the Legislature is in recess and anticipates what must be done.

Budget

Waiting game is over with the opening of the Veto Session on April 29.

Spending: Promises made not to reduce K-12 funding (Block Grant) or Higher Education could be at risk. Rest of budget could face more small cuts.

Revenue: Income tax rates will not be raised. Closing the LLC loophole is also unlikely.

New Laws

The Governor has signed all bills passed by the Legislature except for the bill dealing with Uber transit.

Utility Rate Increases

KCPL is seeking to increase base rates by 10.5% (\$ 11 to 12/month/household)

Driver: environmental upgrade at LaCygne plant; repairs at Wolf Creek nuclear plant.

Public Hearing: Monday, May 18 6 p.m. KU Edwards Campus in Overland Park

May also seek rate increase to cover cost of replacing electric meters.

Westar Energy is seeking base rate increase of 12.1% (\$9/month/household)

Driver: environmental upgrade at LaCygne plant; repairs at Wolf Creek nuclear plant

Replacement of Meters will require additional revenue bringing the cost per household to \$ 12 to 15 per month with continued annual increases of \$ 3/month for 4 years.

For more details: link in report is ecurb.kansas.gov

This highlight feature written by Dolores Furtado, Immediate Past President, League of Women Voters of Kansas.

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Paul Johnson – April 24, 2015

FINALIZING THE KANSAS BUDGET

The Consensus Revenue experts have spoken. The revenue picture remains stagnant. The Kansas budget –passed by the Kansas Senate – is over \$400 million out of balance for 2016. The Governor has proposed some new budget adjustments that only cut the budget deficit by \$50 million in 2016 and \$50 million in 2017. Several of the tax increases and adjustments proposed in the Governor’s budget have not passed and may never pass. This fiscal waiting game is now over as the veto session starts on April 29. The Kansas Legislature has approximately two weeks to solve this fiscal mess.

In the Governor’s budget amendment to the House Appropriations committee, the majority of the budget reductions came from lower Medicaid caseloads. Promises have been made to not reduce the frozen two year block grant for public education. Promises were also made to make no further reductions to higher education. These two education budgets account for 62% of the entire State budget. Medicaid – KanCare – accounts for another 20% of the State budget. It is unlikely that meaningful cuts or tax hikes on the three private managed care insurance companies will result in the purported \$50 million in savings. After six years of harsh and arbitrary budget cuts to most state agencies and higher education, the blood has been taken from the turnip.

Now the debate turns to revenue. What is sacred to the Governor is the reduction of income taxes and the elimination of any income tax on non-wage income. Touted as a ‘small business’ benefit - there is no definition of ‘small business’. 20% of the 330,000 LLC’s (limited liability corporations) have non-wage income starting at \$100,000 on to millions of dollars. The cost of this non-wage income tax elimination is now \$207 million annually and growing. The 20% (over \$100,000) account for one-half of these unpaid taxes. ‘Dark money’ and deceptive campaigns from rich donors can buy favorable tax policy. For the investment of millions of one-time campaign contributions to influence the Governor and the Kansas Legislature, tens of millions of annual tax savings have been procured.

Now the scramble begins to construct a revenue package. The well entrenched special interests will be at the table to protect their tax breaks. The Governor publicly supports consumption taxes to fill the hole from income tax losses. The Governor’s tobacco and liquor taxes will not be increased to the level proposed by the Governor. The Governor would support an increase in the overall state sales tax. With almost 30% of the sales tax coming from food purchases and Kansas having the second highest food sales tax in the country, poor households struggling to eat will involuntarily fund the income tax giveaways. Everything is supposedly on the revenue table so working families could lose a portion of their Earned Income Tax Credit. The sales tax

exemption for residential utilities (electricity, natural gas and water) could be lowered or eliminated. The \$20,000 in residential property value - protected from the 20 mill school property tax levy – could be changed or eliminated. Kansans will have a front row seat to the construction of a more regressive and punishing tax system to balance the budget.

KANSAS LAW

House Sub. for SB 36 creates the Local Conservation Linked Deposit Lending Program. The purpose is to facilitate loans by eligible financial institutions for the construction, design, rehabilitation, and enhancement of nonpoint source water pollution control systems for public or private owners.

Senate Bill 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 Kansas Department of Agriculture Chief Engineer to establish a water conservation area.

Senate Bill 124 authorizes the Kansas Secretary of Health and Environment to adopt rules and regulations on the land-spreading of solid waste generated by oil and gas wells. The bill extends indefinitely the land-spreading program. The bill allows for the disposal of waste containing low concentration of naturally occurring radioactive materials by underground burial. The bill allows the Secretary to establish variances to water quality standards that may apply to specified pollutants, permittees, or watershed segments that reflect the highest attainable conditions during the specified time period for the variance.

Senate Bill 228 allows the Kansas Development Finance Authority to issue bonds up to \$1 Billion. The proceeds from the bonds must be applied to the unfunded actuarial pension liability of the Kansas Public Employee Retirement System (KPERS).

Senate Sub. for HB 2258 places the authorization of the Temporary Assistance for Needy Families (TANF) in statute rather than rule and regulation. The bill modifies and creates certain definitions and requirements pertaining to child care, TANF assistance and food assistance programs. All adults applying for TANF are required to complete a work program assessment. TANF assistance is generally limited to 36 months (from 48 months today) and child care assistance is limited to a lifetime maximum of 24 months. No funds from federal or state sources are to be used for promoting food assistance.

(Note: The *SUPPLEMENT TO PRELIMINARY SUMMARY OF LEGISLATION 2015 KANSAS LEGISLATURE* was published on April 7 by the Kansas Legislative Research Department. It includes the bills passed from noon on April 1 to adjournment on April 2. A final supplement will

be published after the veto session in May. (<http://www.kslegresearch.org/KLRD-web/Policy.html>)

UTILITY RATE INCREASES

On January 2, 2014, Kansas City Power & Light (KCPL) filed an application for a \$67.3 million base rate increase. Base rates will increase about 10.5%. KCPL proposes increasing the residential customer charge from \$10.71 to \$19.00. KCPL is seeking a return on stockholder equity of 10.2%. The primary driver behind the rate increase is the environmental upgrade project at the La Cygne coal fired generation plant. Other costs include the repairs and outage costs at the Wolf Creek nuclear plant. KCPL estimates a typical residential customer will see an average monthly increase of \$11 to \$12. KCPL is requesting the cost of replacing current electronic meters with “smart meters”. The Kansas Corporation Commission will hold a public hearing concerning the KCPL rate case on Monday May 18 at Kansas University Edwards Campus Best Conference Center starting at 6 pm.

On March 2, 2015, Westar Energy filed an application for a \$152 million base rate increase – a 7.9% overall increase in total revenue. Westar is seeking 10% return on stockholder profits. Westar is proposing to increase residential rates by 12.1% or about \$9 per month for the average residential customer. The primary driver is to recover the remaining costs of the \$1.2 billion environmental upgrade at the La Cygne generation plant. Westar is also requesting cost recovery for expenditures at the Wolfcreek nuclear power plant as the plant life has been extended from 40 to 60 years. Westar is replacing its old residential meters with new digital meters. Westar has currently about 100,000 of the digital meters installed with another 400,000 to go. Westar proposes to increase the monthly customer charge from \$12 to \$15 next year and additional \$3 dollar increases yearly until the monthly customer charge reaches \$27 in five years. Westar is proposing three different rate designs for residential customers. Customers with new solar panels will be forced to pay much higher rates. This rate case has drawn many interveners from refineries to school districts to hospitals to solar advocates. Public hearings will be on July 21 and July 23.

The Citizens’ Utility Ratepayer Board (CURB) is the watch dog for residential and small commercial consumers of utilities. CURB publishes a newsletter ‘CURBside News’ that list the rate cases and other issues CURB is engaged in. The April 2015 issue of ‘CURBside News’ had detailed discussions on the KCPL and Westar rate cases along with several other power line and energy efficiency cases. It is quite simple to subscribe to ‘CURBside News’ by emailing ecurb@curb.kansas.gov or going to CURB’s website at <http://curb.kansas.gov/>.

LEGISLATIVE BATTLES

Beyond passing a balance budget and grappling with tax increases, there will be plenty of time to tackle bills that are sitting in conference committees. At some point there will be a floor debate on moving local elections from the spring to the fall. The Governor vetoed **House Sub. for SB 117** that regulated transportation network companies like ‘UBER’. This bill passed both

chambers by large margins so a veto override is possible. The water bill in conference – **SB 52** – deals with water rights and the ability to augment to secure water. **HB 2061** deals with the option of the Conservation Division in the Kansas Department of Agriculture to hold third party easement rights. **HB 2104** defines the procedure of filling vacancies of nominations in general elections. The issue of what items can be negotiated between teachers and school boards remains unsettled. Legislation may pass stripping future state employees the protection of being classified.