

HIGHLIGHTS FROM

2015 LEAGUE OF WOMEN VOTERS OF KANSAS E- REPORT # 15

May 1, 2015

This report covers 3 days of activities in Committee and not passage by Legislature.

Budget

Deficit is now \$ 422 million without an ending balance. Cuts in spending can't cover this gap.

Revenue enhancements by increasing taxes will be done to cover this year and the next (tax increases are avoided during election years). The solution will be determined by 4 members of the Conference Committee. The House and Senate actions will be limited to a up or down vote without amendments. It may take until May 16 (day 90 of the session).

The Consensus Revenue Estimate is for revenue to continue to decline in 2015, 2016 & 2017.

Energy

Renewable Energy: Concern about future property taxes and possible production tax is growing.

KDHE is to develop and submit a plan to comply with EPA Clean Power Plan.

Elections

HB 2104 contains (1) filling vacancies on General Election ballot (2) moving spring elections to the fall and (3) eliminating the Presidential Primary in Kansas. The bill is in Conference Committee.

National Issues in this Report:

Real Food Challenge: program to switch to healthy foods served in University dining facilities.

Fast Track Authority and TPP Trade agreement being debated in Congress.

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

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Paul Johnson – May 1, 2015

THE REVENUE/BUDGET RIDDLE

The budget picture is clearer but the revenue picture is cloudier. The 2016 Kansas budget is close to being finalized with a deficit of \$422 million and no ending balance. To this point none of the Governor's recommended tax adjustments have passed either chamber. Unless the Legislature reduces the block grant to public education and makes substantial reductions to higher education, the budget is what it is and tax increases will be required to end the session with a balanced budget. The tax battles will come over which revenues to increase and what can pass the House and the Senate. This will be sausage making at its best.

The budget will go first. While a version has passed the Senate, the House has yet to have a floor debate on a budget. The House leadership is concerned that an open floor debate on the budget will invite amendments such as expanding the Medicaid program in Kansas. Procedural games have been played to put the Senate budget into a House bill so that floor amendments are blocked. All the work is done in conference committees. The two year school funding block grant has been signed by the Governor. Can this promised school funding be reduced to decrease the deficit as existing school funding is being litigated for equity and adequacy? Setting aside educational funding (both K-12 plus higher education), Medicaid and KPERS' contributions, all other state funding is virtually flat from 2015 through 2017 after experiencing significant reductions from the Great recession and the Governor's need to fund the tax cuts. The Governor requested a \$1.5 billion bond package to fund KPERS but only a \$1 Billion bond package was passed so KPERS contributions in 2016 and 2017 will not be as low as projected in the Governor's budget. The ending balances from 2013 and 2014 have now been spent and transferring more funds from other sources like the Highway fund has reached a politically acceptable limit. The one-time budgetary tricks have been spent.

The Consensus Revenue Estimating Group - involving the Division of the Budget, Legislative Research Department, Department of Revenue and three consulting economists from state universities – has spoken. Revenues will decline for 2015, 2016 and 2017. The Kansas Personal Income (KPI) increase for 2015 will be 3.4% compared to a projected 4.2% from last November. The reduction of farm earnings is the largest factor influencing the decline in KPI in both 2014 and 2015. The projected price for a barrel of oil in 2016 falls from \$72 to \$50. The projected price for a thousand cubic feet (mcf) of natural gas in 2016 falls from \$3.55 to \$2.30. The cumulative loss for severance tax collections in 2016 is \$42.1 million. (Oil and gas property valuations will also fall costing public schools \$17.5 million in property taxes for 2016 which the State must compensate.) Individual income tax growth is only .9% in 2016 and .7% in 2017. Without the continuing income tax bracket reductions now in law, the growth in individual income taxes would be on the order of 5%. Corporate income tax is reduced \$30 million in 2015 and 2016. Projected retail sales tax growth for 2015, 2016 and 2017 is reduced \$30 million for

each year. For 2015 total taxes are reduced \$87.5 million. For 2016 the reduction is \$99.6 million. For 2017 the reduction is \$88.4 million. Actual April 2015 tax receipts came in yesterday \$4.5 million under the estimate.

It is likely that a multipart tax plan will not be unveiled until late next week at the earliest. Unfortunately, this tax package will be written behind closed doors with only certain interest groups providing input. It will take several tax package proposals to find the required 63 votes in the House. Moderate Republicans and Democrats are opposed to more sales tax without increasing the income tax. Finding the right balance will be the challenge. Whatever tax package passes, it must resolve the revenue issue for 2016 and 2017 so the Kansas Legislature does not have to pass any tax increases next year. 2016 is an election year for all 125 House members and 40 Senators.

ENERGY LEGISLATION

The efforts to repeal Kansas Renewable Energy Portfolio Standard (RPS) are stalled for now. SB 253 and HB 2373 would eliminate the RPS on January 1, 2016. SB 253 had a hearing before the Senate Utilities committee but no committee vote was taken. HB 2373 had three hearings before the House Committee on Energy and Environment but was not voted on by the committee. With a long veto session predicted to solve the fiscal mess, there may be time to play procedural games with these bills. What concerns the renewable energy industry more is future property taxes and possibly a production tax on renewable energy. The Chairman of the Senate Tax committee has indicated he wants some property tax on renewable energy sources for future projects. Kansas now has 20 wind farms and seven under construction.

Legislation that will pass is HB 2233 that establishes the procedure for developing and submitting a state plan to the federal Environmental Protection Agency (EPA) to comply with the proposed federal Clean Power Plan rule. The bill would authorize the Kansas Secretary of Health and Environment to develop and submit a plan to the EPA for compliance. The Secretary would be required to conduct a joint investigation and hold a joint hearing with the Kansas Corporation Commission. An 11 member legislative Clean Power Plan Implementation Study Committee will be established with 5 members from the Senate Utilities committee and 6 members of the House Energy and Environment Committee. The Kansas Attorney General will also be consulted to ascertain if this EPA plan from Kansas conflicts with the Attorney General's litigation to block the Clean Power Plan altogether.

REAL FOOD CHALLENGE CAMPUS COMMITMENT

The University of Oklahoma just signed this commitment using the university's tremendous purchasing power to support a healthy food system that strengthens the local economy, respects human rights, protects farm animals and ensures ecological sustainability. The Real Food Challenge is a national student led campaign to shift \$1 billion of existing university food budgets away from factory farms and junk food and toward local, fair, humane, and ecologically sound food sources by 2020.

The University of Oklahoma is the 32nd university in the country, and the first in the Big 12, to sign on to the Real Food Challenge. The university serves over 18,000 meals per weekday and has an annual food purchasing budget of over \$7 million. The Real Food Challenge initiative will shift at least \$1.5 million dollars per year toward sustainable and just food sourcing by 2020.

FAST TRACK TRADE PROMOTION AUTHORITY

“The Bipartisan Congressional Trade Priorities and Accountability Act of 2015” – authored by U.S. Representative Paul Ryan and U.S. Senator Orin Hatch – revives the outdated and unsound 2002 Fast Track “Trade Promotion Authority” mechanism. This bill undermines Congress’ ability to have a meaningful role in shaping the contents of trade agreements. This bill locks in the unacceptable practice of requiring congressional staff to have security clearances to view any draft trade pact text.

Today’s pending “trade” agreements, such as the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) are much broader than past trade agreements, and would set binding policy on Congress and state legislatures relating to patents and copyright, food safety, government procurement, financial regulation, immigration, healthcare, energy, the environment, labor rights and more. After decades of massive trade deficits, devastating job loss, downward pressure on Americans’ wages, attacks on environmental and health laws and floods of unsafe imported food under past agreements, America must chart a new course on trade policy. A new form of trade authority is needed that ensures that Congress and the public play a much more meaningful role in determining U.S. Trade agreements.

John Hansen is president of the Nebraska Farmers Union and served as a U.S. Trade Representative trade adviser for three administrations for 14 years starting in 1994. The House and Senate have sent Trade Promotion Authority (TPA) proposals out of their respective committees to the floor for consideration, so the issue is now before us. TPA, also known as ‘fast track authority’, provides the President with trade-negotiating direction and authority while also forcing Congress to vote up or down on trade proposals without amendment and within a limited amount of time for consideration. These days, trade agreements do more than target tariffs for reductions. They set economic, environmental, labor and agricultural policy, and they establish legal standing and dispute resolution processes that undermine state and national authorities to set domestic standards. If you suspect that trade agreements have far-reaching ability to give away our nation’s sovereignty, you are right. The last reason Congress should not support TPA is that our national trade policy is a colossal failure and needs more, not less, congressional authority. According to the U.S. Census Bureau’s Trade Division, over the last 21 years, the U.S. has amassed a cumulative balance of trade deficit of \$9 trillion, averaging deficits of \$428.7 billion per year. And it is getting worse. The past 11 years have averaged a \$585 billion-per-year deficit. Last year’s trade deficit of \$504 billion represented a 3% drag on the

growth of our national economy. Trade deficits export jobs, manufacturing capacity and tax revenues... Like most Americans, I am not against trade but I am against 21 years of losing trade policy.' John K. Hansen – April 29, 2015.

ELECTION LEGISLATION UPDATE

House Bill 2104 now contains three topics – 1) filling vacancies on the general election ballot <HB2104> 2) moving local spring elections to the fall <Sen. Sub for SB 171> 3) eliminating the presidential primary <SB 239>. These three bills were cobbled together in a House-Senate conference committee. The House has not had an open floor debate on moving local spring elections to the fall. If the presidential primary law is not struck or the date changed past 2016, the cost to Kansas will be \$1.75 million. A second conference committee has been appointed so now only four of the six members must approve to send the bill to the floor. This second conference committee will meet next week, approve the bill and floor votes will be scheduled. The votes in the Senate have been very close and everyone expects a very close vote in the House.