2015 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #19

Paul Johnson – May 29, 2015

A LEGISLATIVE STALEMATE

The 2015 Kansas Legislative session is in overtime. A normal 90 day session has now extended to 99 days and counting. After all this time, floor debates are finally beginning to craft a revenue package that will fill a $400+ million deficit in the 2016 Kansas budget. The Senate had a five hour tax debate last Wednesday and after all the amendments the bill was defeated 30 to 1. The House had its first floor debate on taxes last Friday and it did not receive a recommendation for final passage. The House will have its second floor debate today on three tax bills. The scheduling of starting late on Mondays and leaving early on Fridays is over and the legislature will work through this weekend to hopefully find some compromise. As June rolls in, some certainty is needed on a State budget or notices for furloughing state and university employees might be required. June 7 is close to a final date to pass a budget for a fiscal year starting July 1.

The political math of finding that consensus on taxes is tricky. There are close to 25 House members and 6 senators who will not vote for any tax increase. They say they want further budget reductions but no specifics are given where those budget cuts would come from. The Democrats have not introduced or elaborated on a tax plan they could support outside of changing the 2012-2013 income tax reductions. If the Democrats refuse to participate and the 'hard-core' Republicans vote against all new taxes, that leaves 72 House Republicans and 26 Senate Republicans to find a consensus that will not be vetoed by the Governor. The first bill to be debated by the House is primarily a consumption based tax proposal that increases the sales tax (6.15% to 6.85% with food at 5.9%) and temporarily freezes income tax rates and deductions without taxing the non-wage business income of 333,000 business entities. This bill raises $362.7 million with $271 million coming from the sales tax increase. The second bill to be debated would tax those business entities at some level. There will be several amendments offered on each bill and several recorded votes taken for future political purposes.

The political strategy is pretty clear. While there will be some recorded votes in the House today, the bills being debated are Senate bills so if one does pass it is sent back to the Senate for a simple concurrence or non-concurrence vote. Assuming the Senate will not concur, the bill will be sent to a conference committee where four Republicans will assemble the final package that will require just one vote in the House and the Senate before going to the Governor. Any increase in the sales tax will take a few months to be fully implemented by businesses across Kansas and this will lessen the revenue needed to close the deficit. Changes to income tax rates or taxing the business entities will be for the full 2015 tax year. Kansas voters will experience these tax changes in 2015 and all of 2016 heading into the 2016 fall elections for 125 House and 40 Senate members.

The 2016 and 2017 Kansas' budget has been settled by the four budget writing Republicans. If the fiscal conservatives prevail and force further budget reductions, the signed 2016/2017 block grant for public schools would have to be considered for cuts since this school budget comprises 50% of the State budget. Medicaid comprises another 20% of the State budget but Kansas has one of the lowest eligibility standards in the country and the three private managed care companies operating Medicaid – Kan Care – have lost money the last two years. More cuts to the Kansas Public Employee Retirement System (KPERS) would further threaten its solvency. The ending balances have already been spent and greater transfers from the Kansas Department of Transportation would threaten its bond rating and the existing highway program. Laying off more state employees would threaten the operation of our state hospitals and prisons. After six years of budget cuts caused by the Great Recession and the Governor's paying for income tax reductions, the cupboard is pretty bare and the easy cuts are far gone. The final question is who will pay for this 'income tax reduction' experiment? My prediction in the end is that 'granny' will pay a higher sales tax so that million dollar businesses/campaign contributors can avoid income taxes.

ELECTION LAW CONFERENCE REPORT

A number of election bills have been bundled in one bill – **HB 2183 –** that will be voted on by both chambers in the near future. SB 42 requires every lobbyist to file a report with the Secretary of State detailing all public funds received by such lobbyist from a governmental entity. SB 28 increases the threshold, from $100 to $1,000 in any calendar year, below which a person spending money on activity that meets the definition of lobbying would not have to register as a lobbyist. SB 77 increases certain fees credited to the Kansas Governmental Ethics Commission Fee Fund. HB 2183 also amends statues concerning campaign communications via social media, allowable uses and disposition of campaign funds, lobbyist and candidate reporting requirements, disclosure requirements for certain contributions, and creates law regarding political sign placements.

CORPORATE AGRICULTURE EXPANSION

While the debate over expanding corporate agriculture in Kansas has stalled over the last two years, such is not the case in our neighboring states of Nebraska and Missouri.

Nebraska passed a law in 1999 banning the corporate ownership of hogs. After an eight hour filibuster on Legislative Bill 176, Nebraska lawmakers advanced a bill that would end the state ban on corporate ownership of hogs. The vast majority of hogs raised in Nebraska are done through contracts with hog processors. LB 176 would allow the processors, like Chinese-owned Smithfield Foods, the nation's largest hog processor, to also own the animals. Similar to what has happened with the poultry industry, large corporations own the animals, the barns and the land as well as the processing facilities. Workers are employees, not 'farmers' in the traditional sense of the word. The price of poultry is now set by big companies. Expect the same for pork. Independent produces will be forced to give up their ownership and make long-term contracts with packers rather than sell their hogs for cash at a higher price. The great news is that after winning the first vote on LB 176, statewide grassroots opposition came into play and blocked the second vote so LB 176 will not pass this year in Nebraska.

Missouri legislators – led by lawmaker recipients of Chinese-owned Smithfield Foods' political donations – pushed through a controversial, last-minute measure to allow up to 1% of Missouri's agricultural land – up to 300,000 acres - to come under foreign ownership. That let Smithfield Food's new owners, Shuanghui International of Hong Kong, to legally own Smithfield's 42,000 acres. Now another new Missouri law, signed last month, loosens state oversight of those foreign farmland purchases. It creates a loophole that could allow purchases to exceed the 1% limit. Smithfield Foods has pumped $390,000 into Missouri politics in recent years. Missouri has a no-limits campaign contribution system.

DISMANTLING PUBLIC ASSISTANCE

Senate Sub. for HB 2258 begins July 1 and codified many of the Temporary Assistance to Needy Families (TANF) related policies and practices implemented by the Department of Children and Families since 2011. This law also changes eligibility and participation requirements for the Supplemental Nutritional Assistance Program (SNAP – formerly food stamps) and child care assistance. The most significant TANF policy change is reducing the amount of eligibility from 48 to 36 months. Come July 1, 350 parents and 700 children statewide will be terminated with an estimated 40 adults and 80 children cut off each subsequent month. In April of 2011, there were 37,616 people on TANF whereas today the number is 14,100. 70% of TANF recipients are children. The number of children receiving cash TANF benefits has dropped from a high of nearly 27,000 in January 2011 to 10,000 in April of 2015. Adults who fail to meet the work requirements will lose both their TANF eligibility and their food stamps. Only the poorest families are eligible for TANF (about 30% of the Federal Poverty Level or no more than $500 income per month for a family of three. The average per person cash assistance benefit is $114 per person). Child care assistance is now limited to a lifetime maximum of 24 months per adult.