



2016 KANSAS LEGISLATIVE E-REPORT #6

Paul Johnson – February 12, 2016

LIPSTICK BUDGETING

The State budget pig is leaner and ready for further starvation. The revenue picture for the State remains cloudy while hundreds of millions of income tax dollar reductions have been given to the wealthiest taxpayers. While Kansas should have a few hundred million in ending balances to handle emergencies and cash flow, there are only a few million in the bank and monthly revenue collections are very uncertain. The Kansas Supreme Court has now ruled the school funding block grant unconstitutional and the formula to assist poorer school districts is underfunded by at least \$54 million. Legislative leaders have pledged to block any public debate on the Governor's income tax reduction experiment so the scramble is on to fix this mess by budgetary gimmicks.

The plan to dismantle public services has been very purposeful. While the previous Governor had to cut education, social services and transportation to reckon with the great recession of 2009, this Governor came to office to arbitrarily cut these same programs even further so he could give millions in income tax reductions to his political contributors. The plan was to underfund and mismanage state public programs so they would be seen as ineffective and in need of privatization to be given to his supporters. Now the plan is to starve public schools and local governments to discredit those public services.

The dismantlement of state public services started with the privatizing of the \$3+ billion Medicaid programs that was renamed KanCare. The request for proposals to create KanCare was carefully handled by the most connected political consultants. For the over 400,000 Kansans - dependent on these life-saving medical services, the challenges for timely and adequate services has been many. The single 800 number for the KanCare Clearinghouse - to answer questions or resolve mistakes - has a four hour plus wait time to talk to a real person. The Governor appointed a political associate to be the

independent KanCare ombudsman to assist clients. This political associate was unqualified and quit after a few months. No new appointment has been made.

On January 1, the KanCare eligibility determination system for elderly and disabled Kansans was transferred from the Kansas Department for Children and Families to the Kansas Department of Health and Environment. Last July, state officials moved KanCare eligibility processing to the long-delayed and over budget Kansas Eligibility Enforcement System (KEES) which has forced employees to use dozens of workarounds to make the system function. Since then many clients have been improperly dropped from KanCare. There are now over 10,000 applications pending. Traditionally, pregnant women were presumed eligible and had little trouble qualifying. It used to take 7-10 days to process but now takes three to four months. KanCare handles close to 40% of the live births in Kansas. A similar story is happening with the elderly and nursing homes. While waiting for eligibility determinations, many nursing homes are carrying thousands of dollars in unreimbursed costs. Many facilities can no longer admit new residents if their KanCare application is pending. Frail elders - who need intensive nursing care - are being denied access to that care for months and months. KanCare funds one half of all nursing home beds in Kansas.

As state revenues continue to tighten, state services such as prisons, mental hospitals and the highway patrol continues to deteriorate. The prisons are completely full and unable to recruit adequate staffing. The Osawatomie State Hospital suspended voluntary admissions in December 2014 after federal health authorities declared that its services were not sufficient to meet the needs of the patients. Recently it lost its Medicare payments to the tune of about \$1 million a month because it was out of compliance with health and safety standards. 30% of the 450 staffing positions are now vacant. The Highway Patrol is struggling to hire enough officers. There are many counties in Kansas that do not have a single Highway Patrol officer.

Now it is time to squeeze local units of government with a lid on property taxes in Senate Bill 316. This comes at a time when 'revenue sharing programs' between state government and the counties have been unfunded or repealed. In place since 1925, the mortgage registration fee on bankers and homebuyers is being repealed and the financial loss put on all property taxpayers. In 2006, property tax on commercial and industrial machinery and equipment was repealed thus costing counties like Wyandotte over \$11.3 million annually. In place since 1937, the Local Ad Valorem Tax Reduction Fund utilized state tax dollars to provide a dollar for dollar reduction in local property taxes. This was cancelled in 2003. Also in 2003, the City-County Revenue Sharing program with the State was ended. Local governments statewide have lost more than

\$2 billion in demand transfers from the Kansas Legislature. Counties are funded primarily with property taxes and secondarily with local sales tax.

The Kansas House and the Kansas Senate have now passed 'lipstick' budgets patching the revenue mess for 2016 and 2017 with more transfers from the highway funds, neglecting retirement payments and continuing to freeze salaries for state workers since 2009. Now comes the challenge from the Court order to fund schools equitably. The Kansas Speaker of the House is on his retirement path guaranteeing that the income tax reductions given to campaign funders - that purchased the conservative majorities in the House and the Senate - will not be challenged. Members of the House and Senate can slink out of town without confronting their self-inflicted revenue mess and let our lame duck Governor slash and burn the budget into some balance.

PUBLIC SCHOOL CHALLENGES

The Kansas Supreme Court unanimously ruled that the 'block grant' funding law for public education does not comply with the Kansas Constitution and gave lawmakers until the end of June to write a new law. This decision dealt with equity among the 286 school districts and ruled it left poor districts \$54 million short. The Court has yet to decide on the larger question of whether Kansas must boost its education spending by at least \$548 million a year. The Court ruled that the 'block grant' law - which expires in July 2017 - violates the Kansas Constitution's requirement that the state finance a suitable education for every student. The Court said in its unsigned opinion: 'Without a constitutionally equitable school finance system, the schools in Kansas will be unable to operate beyond June 30'.

The House Education Committee – on a vote of 11 to 6 – recommended favorable passage of **House Bill 2457** which expands the use of tax credits to pay for students to go to private schools. Under this bill – any public or private school student is eligible if his or her family has an income below 185% of the federal poverty level. (For a family four – income under \$45,000) The estimated cost for the first year is \$8 million. While House rules require that any additional spending must be taken from another program, no such rule exists for tax cuts or tax credits that reduce the revenues to the State. **House Bill 2504** - that would have consolidated and realigned school districts - has been put on hold and probably dead for this session. **House Bill 2486** - that would establish the school district bond project review board - was pulled from a committee hearing and its fate is uncertain.

NATURAL RESOURCES LEGISLATION

Senate Bill 384 proposes the requirement that recovery plans for non-game and threatened species be in place prior to listing a species or designating critical habitat for a species. Kansas has only completed recovery plans for 19 of the 51 species listed on the state's threatened and endangered list. SB 384 puts the remaining species without a current recovery plan at grave danger of becoming extirpated with no protection of their habitat. SB 384 changes current law by defining critical habitat as only the area that vulnerable wildlife species currently occupies, rather than the traditional consideration of its historical and potential geographic range at full health. SB 384 could result in the Kansas Department of Wildlife, Parks and Tourism losing its federal funding, as well as invite federal intervention, by failing to meet federal standards for addressing nongame and listed species issues. The hearings have been held on SB 384 and Senate Natural Resources committee will work the bill on Wednesday – Feb. 17 – at 8:30 am in Room 159-S.

Senate Bill 425 authorizes the board of county commissioners of any county to regulate conservation easements on property located within the county. A conservation easement could be limited in duration to the lifetime of the grantor and may be revoked at grantor's request. SB 425 was introduced on February 9 and assigned to the Senate Natural Resources committee on February 10. SB 425 is scheduled for a hearing and possible action on Thursday – Feb. 18 – at 8:30 am in Room 159-S. Testimony on SB 425 must be to the Committee Assistant – Toni Beck (785-296-7694) by noon on Wednesday - February 17.

House Bill 2595 reserves regulation of consumer incentive items and nutrition labeling for food menu items in restaurants and vending machines to the legislature. This bill will halt existing growth of food policy councils, community gardens and other local initiatives that support increased access to healthy food across Kansas communities. HB 2595 ties the hands of local authority to deal with some of the most pressing public health concerns in Kansas today, including diabetes, hypertension, heart disease and other chronic diseases associated with obesity and poor nutrition. 30% of Kansas children age 10-17 are considered overweight or obese by BMI measures. Kansas ranks 13th in the nation for adult obesity, with an obesity rate of 31.3%. HB 2595 is scheduled for a hearing before the House Commerce, Labor and Economic Development committee on Wednesday – February 17 – at 1:30 pm in Room 346-S.

Senate Bill 314 extends the 'local food and farm' task force. Hearings have been held on SB 314 so the Senate Agriculture committee will take final action on SB 314 on Tuesday – February 16 – at 8:30 am in Room 159-S.