



2016 KANSAS LEGISLATIVE E-REPORT #9

Paul Johnson – March 4, 2016

REVENUE CHALLENGES

The revenue picture for Kansas continues to deteriorate falling another \$50 million in February. Even with the lower estimated revenue projections from last November by the consensus revenue experts, income tax collections were \$41 million (2.9%) down from November to February and sales tax was off \$26 million (1.7%) with severance taxes off \$4 million. Uncertainty grows over where the revenue bottom may be. The Governor is adamant that his job is to manage spending and not raise taxes even though the State budget has witnessed seven years of necessary and arbitrary budget cuts. Realistically there is no way to raise any taxes fast enough to balance the 2016 Fiscal Year budget that ends on June 30. With this 'election year' Legislature, there is not the political courage to confront this growing revenue crisis for 2017 and beyond.

The budgetary damage for this fiscal year is probably not over. The Governor ordered a \$17 million budget reduction (3%) to the Regent's universities for the final four months of this fiscal year. With this reduction to the Regents and the lower revenues in February, the State budget is now \$30 million in the red that must be corrected by June 30. The Governor has the authority to withhold close to \$100 million in KPERS payments this final quarter but must repay that \$100 million by September 30 with 8% interest. The Governor has special authority to make targeted allotments to state programs and public education to balance the 2016 budget as he did with the Regents. What remains uncertain is the timing of the Kansas Supreme Court's order to fix the inequity in the school funding block grant that started in 2016 and continues into 2017. Must the Legislature fix this inequity for 2016 or does the order apply just to the block grant for 2017? The cost to fix the inequity for 2016 would be around \$78 million. Plaintiffs in the school funding suit will need to petition the Court to clarify the timing of the payments and the exact amounts. Meanwhile there are certain budgetary tricks such as delaying Medicaid payments or school funding payments from June into July - the 2017 Fiscal Year – to patch the 2016 budget.

The 2017 budget is another matter. Unless there is a miraculous increase in revenues, the one-time budget tricks of spending down most ending balances such as the State Water Plan and withholding payments to KPERS are over and further budget reductions will be ordered. The Governor has the allotment authority to reduce the school funding block grant in 2017. Since K-12 school funding comprises 50% of the State budget, no reduction to the block grant would double the cuts to all other state programs. 20% of the State budget is social services with the vast majority being Medicaid (KanCare). The three private managed care organizations (MCO's) that administer KanCare have lost millions over the past three years so reductions to their contracts could further decimate the quality of health care to over 400,000 Kansans. 15% of the State budget goes to the Regent's universities and they should expect further reductions which may force the consolidation of some community colleges and the narrowing of courses offered at the universities. The final 15% funds the rest of State government from the state mental hospitals to the state prisons to public safety to public health to natural resources. With the vast majority of these budgets spent on personnel and thousands of state employee positions already eliminated, the functioning of these vital public and social services will be put in further jeopardy. The Highway Fund is the only major fund that can be tapped for a transfer to the State General Fund but now the Legislature is attempting to limit further transfers by the Governor. This self-inflicted revenue mess in Kansas is real and has real consequences for all Kansans. Kansans can vote a change!

KANSAS NOXIOUS WEED BILL BATTLE

House Bill 2479 passed the Kansas House 85 to 39 and is now scheduled for a hearing before the Senate Natural Resources committee on Wednesday March 9 at 8:30 am in Room 159-S. For now, this most important bill is only scheduled for a one day – one hour hearing. If past practices are followed by the Committee Chair, the proponents will be given unlimited time to make their presentation and answer all committee questions. Usually there is very little if any time left for the opponents, so citizens have to drive back to Topeka and take another day off work to participate in this public process. If you want to testify, you need to contact the Committee Assistant – Toni Beck (at 785-296-7694) – by Monday. We have requested through some of the Senators on the committee that Wednesday be for the proponents and Thursday for the opponents. Written testimony can also be very helpful especially if you can document the potential economic harm by chemical drift onto specialty crops and organic crops.

House Bill 2479 is fundamental change. It transfers the listing of noxious weeds from statute controlled by the Legislature to a rule and regulation process controlled by an unelected Kansas Secretary of Agriculture with the advice of a hand-picked advisory committee. This bill does not need to alter the balance of power so fundamentally. The

existing noxious weed law – around since the 1930’s – could be amended to establish a ‘noxious weed advisory committee’ and give the Secretary of Agriculture limited emergency powers to list new noxious weeds for a time certain but bring that decision to the Kansas Legislature for listing in statute. There is now no legal right for a landowner to post their land as a ‘no spray’ zone (if noxious weeds are controlled) and pursue damages without great legal cost to the landowner. There is no definition of ‘drift’ in existing law or in HB 2479. As the toxicity of the chemicals used –such as 2-4D – increases and such chemicals can drift much further, county weed departments seem to be legally protected from damages as they spray the ditches and right-of-ways. There is no guidance in HB 2479 to define ‘best practices’ to consider mechanical or biological control first before resorting to chemical controls. No guidance that the least toxic chemicals should be used first. There is now some language - in defining the ‘risk assessment’ used by the Secretary of Agriculture – that consideration should be given to the impact on both ‘natural and agricultural environment’. This should be stronger!

LEGISLATIVE HEARINGS – MARCH 7 – 11

Senate Bill 367 – a major revision of the juvenile justice system that passed the Kansas Senate 38 to 2 - will be heard before the House Corrections and Juvenile Justice committee all week at 1:30 pm in Room 152-S. Proponents will be heard Monday (March 7) and Tuesday (March 8) while opponents will be heard Wednesday (March 9). The committee is scheduled to work the bill on Thursday (March 10) and possibly Friday (March 11). To offer written or oral testimony, you need to contact the Committee Assistant – Linda Kentech at 785-296-7690 by Monday. Here is the web page for background on this 110 page bill. Look at the top SN:

http://www.kslegislature.org/li/b2015_16/measures/sb367/

House Bill 2486 creates the school district bond project review board. Hearings have already been held so the House Education committee on Tuesday (March 8) at 1:30 pm in Room 112-N will discuss and possibly act on the bill. HB 2486 limits the financial exposure by the State in sharing in funding school district bond projects.

Senate Bill 318 eliminates the Kansas Electric Transmission Authority that served as a planning entity for expanding the electric grid to accommodate moving wind power from Kansas to other parts of the country. SB 318 also stops any work by the Kansas Corporation Commission and the Kansas Department of Health & Environment to develop a Kansas plan for EPA’s Clean Power Plan while court injunctions proceed. SB 318 has already had hearings before the House Energy and Environment committee so on Wednesday (March 9) at 9:00 am in Room 582-N the committee will discuss and take action on the bill.

Senate Bill 334 requires notice to the Attorney General before any Kansas court determines that a statute or constitutional provision is invalid or unconstitutional.

Senate Bill 361 deals with defining public agencies and public records in regards to the open records act. These two bills will be heard before the House Judiciary committee on Wednesday (March 9) at 3:30 pm in Room 112-N. To testify, contact the Committee Assistant – Connie Bahner at 785-296-5805 by Tuesday.

Senate Bill 316 places a hard property tax lid on local units of government and moves the effective date from 2017 to 2016. The Senate Assessment and Taxation committee will hear proponents on Tuesday (March 8) and opponents on Wednesday (March 9) at 9:30 am in Room 548-S. To testify, contact the Committee Assistant – Judy Seitz at 785-296-2713 by Monday.

Senate Bill 463 eliminates several special revenue funds such as the children's initiative fund directs such funds into the state general fund (SGF). The bill also details the duties of the Kansas children's cabinet. This bill will be heard before the Senate Ways & Means committee on Tuesday (March 8) at 10:30 am in Room 548-S. **Senate Bill 311** transfers the administration of school finance from the state board of education to the department of administration. This bill will be heard before Senate Ways & Means on Thursday (March 10). To testify on either bill, contact the Committee Assistant – Dee Heideman at 785-296-3775 a day before the hearing.