



League of Women Voters of Kansas

Policy Watch Weekly Update by Paul Johnson

Members receive *Policy Watch Weekly Update* throughout each Kansas legislative session. Reports may also be found at lwvk.org.

Week #1

Kansas Budget Battles

The battle over future Kansas budgets has begun. Facing a \$350 million deficit through July and a \$600 million deficit for 2018, the Governor unveiled a budget that does not fix the structural imbalances of revenues and adequate budgets for the State. The Governor continues to use one-time gimmicks, more borrowing and more consumption taxes to patch the budgets together for two years as he leaves office. The sacred income tax breaks to the wealthiest Kansans are left untouched while critical investments in education, social services and public safety are neglected. Overall, the Kansas Legislature is unimpressed and will move to fix some of these imbalances.



To fix the immediate \$350 million deficit through July, the Governor borrows \$317 million from state idle funds (unclaimed property held by the State) that must be paid back over the next seven years, uses \$27 million from the sale of the Kansas Bioscience Authority, cuts payments to the Kansas Public Employees Retirement System (KPERs) and delays a payment to public schools from June to July – the new fiscal year. By delaying and reducing payments to

KPERS, the date of actuarial balance is pushed back from 2033 to 2043 and the extra cost to Kansas is \$6.5 billion.

For 2018 and 2019, the Governor proposes to securitize the tobacco settlement – that pays the State around \$55 million annually for the next 30 years – to net \$530 to \$735 million in a one-time payment depending on financial markets. The early childhood programs - supported by the tobacco settlements - would then be funded from the State General Fund. The income tax on passive income, rents and royalties would be restored netting the State \$40 million and the lowest income tax bracket would be frozen at 2.7% - and not lowered to 2.6% - netting Kansas \$20 million over two years. For the LLC's, the annual filing fee is increased from \$40 to \$200 raising \$33.6 million yearly. The cigarette tax increases from \$1.29 to \$2.29 per pack generating over \$41 million annually. The tax on other tobacco products – snuff, chewing tobacco, cigars – doubles from 10 to 20% netting almost \$7 million while the tax on liquor doubles from 8 to 16% netting over \$52 million yearly.

On the spending side, the Governor proposes legislation requiring all 286 school districts to join a single health plan with ties to the state employee health plan saving \$47 million in year one and \$90 million annually in following years. The fees on medical providers are increased from 3.31% to 5.77% to create a fund to increase rates to health care providers and targeting \$20 million of that increase to rural hospitals. This two year budget continues to move the sales tax transfer from the Kansas Department of Transportation to the SGF netting \$288 million in 2018 and \$293 million in 2019. If these taxes were increased and spending adjustments made, the SGF ending balance would be \$99 million for 2017, \$216 million for 2018 and \$538 million for 2019.

The complete details on the Governor's 2018 and 2019 budget will be revealed over the next few weeks as the Kansas Legislative Research Department completes its analysis and the committees in the House and Senate begin their work. The Governor's budget can be accessed at the website www.budget.ks.gov. Overall, spending is frozen for the next two years. For the highway program, the transfer of the sales tax means there will

be no new highway projects started for two years just limited maintenance on existing roads. For public education funding, there is no additional funds to write a new funding formula or respond to any extra funding mandated by the Kansas Supreme Court. For higher education, the 30% cut - over the last 8 years - in SGF funding continues and basic maintenance declines. A recent architectural survey of the research laboratories at Kansas State University documented that 68% of these labs need renovation. The funding for the State Water Plan continues to decline from \$13.6 million in 2017 to \$11.5 million in 2019. With essentially no State ending balance now, any decline in the monthly revenue receipts is more troublesome. The January receipts - to be revealed on February 1 - will be very important signaling what is happening with income and sales tax trends that the Kansas Legislature will confront.

KANSAS LEGISLATIVE NOTES

Kansas legislative sessions operate on a two year cycle. After the fall elections, the legislative cycle starts over so for 2017 there is no legislation carried over from 2016. The numbering for Senate Bills start at 1 and the numbering for the House Bills begin at 2001. So far there have been 27 bills filed in the Senate and 62 bills filed in the House. All of these bills can be viewed at the Kansas Legislature website www.kslegislature.org. There are daily calendars posted listing the committee meetings and legislation that may be debated on the floor of the House or Senate. On Thursdays, the calendars list the coming week schedule as well for committee hearings. Over the internet, you can listen to a live feed of the debates on the floor of the House (starting at 11 am) or the Senate (starting at 2:30 pm). There are now four committee rooms that have live audio feeds over the internet. These are the key committees such as appropriations and taxation. The plan is to have all committee hearings on live internet feed by the end of the session.

One bill – **House Bill 2017** – has just passed the House 122-1 and will be debated by the Senate next week. This bill changes election procedures for a Congressional election that will soon be held in Wichita to replace U.S Representative Mike Pompeo.

Senate Bill 27 & House Bill 2052 are budgetary revision bills for fiscal years 2017, 2018 and 2019 to square the immediate deficit and future deficits. By constitutional law, Kansas cannot have a deficit in the state budget. Several bills have been filed on election law. **House Bill 2020** would establish election-day voter registration in Kansas as is done in 13 other states. **House Bill 2023** is legislation introduced by the House Taxation committee to revise some of the income tax cuts made in 2012 and 2013. **House Bill 2032** increases fees for the State Water Plan. I have been told that legislation to expand Medicaid in Kansas will be introduced next week.

WEEK OF JANUARY 17 -20, 2017

SENATE ETHICS, ELECTIONS AND LOCAL GOVERNMENT: Tuesday January 17 at 9:30 am in RM 159-S: Informational hearing on **HB 2017** – Vacancy elections, United States representative to Congress.

SENATE WAYS & MEANS: Wednesday January 18 at 10:30 am in RM 548-S: Discussion on **SB 27** – Rescission budget bill.

SENATE EDUCATION: Tuesday January 17 at 1:30 pm in RM 144-S: Presentation on: State of Higher Education by Blake Flanders CEO of the Kansas Board of Regents.

HOUSE APPROPRIATIONS: Wednesday January 18 at 9:00 am in RM 112-N: Briefing on: Revenue, Sweeps and Transfers.

HOUSE AGRICULTURE and NATURAL RESOURCES BUDGET: Friday January 20 at 1:30 pm in RM 142-S: FY 2017 Budget Review of KDHE, Kansas Department of Agriculture and the Kansas Water Office.

HOUSE AGRICULTURE: Wednesday January 18 at 3:30 pm in RM 582-N: Update on KSU Research and Extension and the College of Agriculture by Dean John Floros.

Thursday January 19: Presentation on: Overview of Use Value Property Tax related to farming – Josh Roe, Assistant Secretary, Kansas Department of Agriculture.

January 2016. Paul Johnson may be reached at pdjohnson@centurylink.net.



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