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2013 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #10

March 15, 2013 – Paul Johnson

LEGISLATIVE NOTES

The scramble is on and the clock is ticking for the Kansas Legislature to pass tax policy and the State budget. The Senate and House have drafted much different tax proposals. The State budget will be slashed and burned in order to comply with whatever tax revenues will be available. The Governor's philosophy of first cutting taxes and revenues before creating a budget that meets the need and priorities of Kansans has taken hold with this conservative legislature. Downsize government period - even if that puts at risk fundamental services for school children, the poor, the disabled and the environment. Dumb down and defund regulations that protect our water or air as we welcome in the exploitation of our natural resources to "fracking" and factory farms. The race is on to compete with Mississippi or Arkansas for "quality of life" standards.

GOV'S TAX IDEAS WINNING/ EDUCATION AND SOCIAL SERVICES LOST

The Senate has now passed most of the Governor's tax package. The state sales tax will stay at 6.3% instead of returning to 5.7% on July 1 as was promised three years ago. The mortgage interest deduction will be eliminated for the 30% of Kansas' tax filers that itemize. This package will eliminate the individual income tax by 2017 thus incurring serious revenue deficits in 2016 and beyond. If the economy does rebound and revenues to Kansas grow over 4% from the previous year, this extra revenue will not be used to repair broken programs for education or social services but be used to start eliminating income taxes even faster. The Senate will debate their budget on the floor next week. The balance of revenue and state spending by the Senate will not be known until the tax package has been fully analyzed and the 2014 State budget passed.

The House has now passed a tax package from the House Taxation committee and it will be debated on the floor of the House by Tuesday or Wednesday. The House tax package allows the state sales tax to decline to 5.7% while taking more funds from the Highway program to balance the loss of sales tax revenue. **The House bill does not build in automatic individual income tax reductions but ties any reductions to a formula that takes any State revenue increase over 2% to start the reductions.** There is a formula to decrease all deductions and tax credits as the individual income tax declines. The mortgage

interest deduction is not eliminated as in the Senate. The House Appropriations committee has arbitrarily cut the funding to Regent institutions by 4% to find resources to pay for the tax cuts. The House will be debating the entire State budget on the House floor next week. There are only three weeks left for the House and Senate to pass their respective budgets and tax packages, conference the differences and pass a compromised package of taxes and budgets by April 6.

NO PUBLIC INFO AHEAD WHEN COMMITTEE CHAIRS ARE TO WORK A BILL

Following the legislative process becomes more difficult as the end of the session gets closer. Committee chairs are not required to list the exact bills they are working in their committees. Many times the only listing in the daily calendar is that the committee chair will possibly work any bill that has had a hearing. Unless bills have been blessed by certain committees so that deadlines do not apply – March 22 is the day that bills that have passed one chamber have to be moved by the second chamber. The best one can do is track the daily calendars at <http://www.kslegislature.org/li/> and call the committee assistant that is listed below the title of the committee. It should be noted that the first bill passed by the Kansas Legislature and headed for the Governor's signature is to give the Governor the authority to appoint Kansas Court of Appeals justices with Senate confirmation.

HOUSE BILL 2201 – AT&T DEREGULATION

This bill passed the Kansas House 118 to 1. This bill was written last fall behind closed doors by telecommunications companies and allies but no consumer advocates were invited in. The Senate Utilities committee held three days of intensive hearings on this bill. A day was given to the proponents, a day for opponents and a day for those neutral on the bill such as the Kansas Corporation Commission. There were many unanswered questions concerning the full impact of this bill and the possibility that certain AT&T rural customers will be forced to other services or given a choice of only wireless service.

David Springe from the Citizens' Utility Ratepayer Board testified that: "HB 2201 will eliminate the Kansas Corporation Commission's (KCC) ability to enforce quality of service requirements, enforce billing standards and protect consumers from fraud. Electing carriers (AT&T) will be allowed to charge higher rates to customers that live in rural areas, a practice now prohibited. Telecommunication carriers and electing carriers will be able to stop providing Lifeline service, and the price cap of Lifeline services is eliminated. Electing carriers will no longer have "carrier of last resort" obligations, and can therefore simply stop serving customers in rural or unprofitable areas. Mainly written for AT&T, this bill will allow AT&T to only serve who it wants, when it wants, where it wants and at whatever price it wants."

While the Kansas Corporation Commission (KCC) was technically neutral on HB 2210, the KCC raised a number of concerns over how this bill is written. The Kansas Universal Service Fund (KUSF) was written 17 years ago to balance the costs of providing affordable telephone service to rural and "hard to serve" areas. KUSF is funded by a 6.18% tax on intrastate calls that generated \$62 million last year. Most of this funding goes to balance the cost of isolated rural areas. The 35 rural phone company exchanges received \$26 million (42%) of the KUSF last year. There is also a Federal Universal Service program that is funded by interstate calls to guarantee affordable phone service for rural areas. This federal fund is going through basic change at the Federal Communications Commission (FCC) to move support from just landlines to complete broadband service. The question remains – if the federal program of universal service declines in Kansas, will this legislation allow the phone companies to take more funds from the

KUSF? The phone companies said no. The KCC stated that the potential impact of the FCC reforms could potentially push \$8 million to the KUSF in 2013 and \$16 million in 2014. Senator Pat Apple – committee chair of Senate Utilities – was very concerned over this potential cost increase and may decide not to work this bill next week. This debate is far from settled.

SENATE BILL 63 – ELECTION LAW & VOTING CRIMES

This bill was heard by the House Elections committee last Monday and will be worked this coming Monday at 1:30 pm in Room 218-N. This bill came at the request of Secretary of State Kris Kobach. This bill was included in the “voter ID” bill from last year and passed the House twice but was taken out in the Senate. The bill creates new crimes for certain voting irregularities and increases penalties from misdemeanors to nonperson felonies. The bill authorizes the Secretary of State to prosecute these voting crimes and Kansas may be the first state in the country to authorize this authority to the Secretary of State. On the Senate floor, the bill was amended to prohibit the Secretary of State from establishing political action committees other than those supporting a candidate for Secretary of State.

LOCAL ELECTIONS – SPRING TO FALL

There are several bills to change these elections. The latest version in House Elections is HB 2227 that moves these local elections to the fall in odd-numbered years and keeps them non-partisan. The Senate bills (SB 211 & SB 145) were heard yesterday in Senate Ethics, Elections and Local Government. City and county government lobbyists and officials have come out in forceful opposition fighting the move to fall and making the elections partisan. Legislators are hoping to improve turnout by moving to the fall. If there is a compromise, it will be odd-numbered year fall, non-partisan elections.

“COMMAND AND CONTROL” CORPORATE AGRICULTURE

Kansas is one of eight states that have certain limits on corporate agriculture. While an individual farmer, family farm corporation or authorized farm corporation can own a dairy or swine farm without approval from county commissioners - a corporation, limited liability company or limited partnership cannot. County commissioners have control only over corporate swine and dairy confined animal feeding operations (CAFO). If **Senate Bill 191** passes as written, there will no restrictions on any domestic or foreign corporation to buy Kansas farmland and build factory farm CAFOs. The Kansas Department of Agriculture and their agri-business allies are leading the charge to fundamentally alter Kansas’ agriculture. A large welcome sign will be sent around the world for speculators and Wall Street hedge funds that Kansas’ agriculture can be bought while the State of Kansas weakens and defunds environmental regulation.

The Soviet Union established a “command and control” state owned agriculture that ignored any free market. The United States has now developed a “command and control” corporate monopoly system of a few large multi-national corporations controlling the market by owning or contracting animals and limiting the processing options. This “monopsony” power exists where too few consumers (corporations) of raw goods can control the market by causing sellers of perishable goods to accept unfair lowered prices. These few corporations are the winners while the losers are the farmers and the consumers. In 1960, the farmer’s share of the food dollar was 33 cents while in 2006 this share had dropped to 19 cents. Four companies (Tyson, Cargill, JBS and National Beef) control 83% of all beef slaughter in the United

States. Today four companies control 65% of the pork market, 57% of the poultry market and 36% of supermarket sales.

The vertically integrated model of concentrated agriculture started first with the poultry market right after World War II. The poultry industry, which includes broiler, turkey and egg production, is the most vertically integrated of all major agricultural industries. Under the dominate business arrangement that involves 18,000 chicken farmers (growers) nationwide, the corporation (called an integrator) owns the chickens and feed while the farmers (called contract growers) carry out actual production from chicks to birds ready for processing. There is no open market for poultry ready for processing, so there is no economically viable alternative for a grower to be independent from the corporation. These integrators refuse to purchase birds from independent growers. The stark choice is for a grower to sign the corporate contract offered or get out of the business through bankruptcy. Under the current poultry contract system, over 71% of all poultry growers earn below poverty-level wages. By the way - these 25,000 bird chicken houses emit over 5 tons of ammonia yearly – levels high enough to cause respiratory harm.

With the cattle herd at the lowest level in sixty years, the promotion of corporate agriculture in Kansas will concentrate on swine, poultry and dairy. In 1970, Kansas had 21,000 hog farms with over 2 million hogs. In 2007, Kansas had less than 1,500 hog farms and around 200,000 hogs. 311 of these 1,500 hog farms account for 95% of the \$560 million in pork sales. Nationwide, swine CAFOs of over 5,000 animals accounted for 62% of all swine sales in 2009. A 1998 research report in Missouri documented that a \$5 million investment in contract swine production generated 40 to 50 jobs but also displacing nearly 3 times that number of independent hog producers. The average hog generates about 1.5 tons of solid manure and 5,270 gallons of liquid manure each year – 2.5 times that of an average human. The Kansas Department of Health and Environment Concentrated Animal Feeding Operations inspection staff has eight employees monitoring and regulating 1,500 state certified CAFOs and 450 federally certified facilities. Under the Governor's mandated 10% reduced resources budget, \$126,000 was taken thus limiting travel and environmental monitoring. The State Water Plan - that funds contamination remediation, source pollution monitoring and watershed protection strategies - was \$27.2 million in 2008 but will be reduced to \$12.5 million in 2014.

In the cattle market, far more than half of all cattle slaughtered by the four corporate meat processors are purchased through either contract arrangements in which cattle are sold well in advance of slaughter or acquisition of cattle from feedyards selling most of their production to a single slaughter house. These are identified as "Tyson yards" or feedyards called upon by a single packer, leaving those who sell feed cattle in the yard vulnerable to compulsory sale of their cattle to a single packer, even if they have not made advanced sales. Packers now directly own large feedyards, large numbers of cattle and have standing arrangements with ostensibly privately owned, but wholly captive, feedyards for a large portion of their remaining production. While legal title to the cattle may not be integrated, for economic purposes and purposes of market structures, these arrangements have the impact of integrative ownership. The weekly "cattle market" is no market at all. At virtually every feedyard, producers report that the "market" consists of a call – generally only one – from a single buyer for a single packing plant. Facing "no sale" of animals weighing 1,350 lbs. and at risk of being too large to meet slaughter specs in just a week or two, the farmer does not dare to negotiate and cannot chose any path but to take the offered price. Fourteen packing plants, each slaughtering more than 1 million animals a year, account for most

of the nation's beef slaughter. In 2010, only 39% of the cattle slaughtered in Kansas were purchased on the cash market – the rest were controlled by contracts to the meatpackers.

Most of the debate on **SB 191** has been on corporate CAFOs and the elimination of any county control. The issue of opening Kansas' farmland to corporate and hedge fund speculation has not received appropriate attention. A report from Nebraska last year, documented that one-third of land sales went to investors. How well will the average Kansas' farmer be able to compete with these speculative investors chasing profits that cannot be found on Wall Street? What long term decisions will be made by short-term speculators to invest in conservation practices? What control – if any - will hired corporate employees have over the environmental impact on neighbors or the community? **SB 191** is fundamental for Kansas. The public must be involved in this substantive debate!

(**Senate Bill 191** had its hearings and will be worked in the Senate Natural Resources committee next Thursday – March 21 at 8:30 am in Room 159-S)

You Can't Dream This Stuff Up

By Jean Schodorf published in *OurKansasVoice*

Mid-March Update on bills going to the Governor, bills passed in one house or the other, and bills to watch for this next week...with some editorial comments.

JUDGES

HB2019 is going to the governor. The Governor got his way and HB 2019 was passed by the Kansas Senate 28-12, sending it to the Governor for, presumably, his signature. The Kansas House had previously passed it so the bill is going to the second floor. This bill affects how the Kansas Board of Appeals is selected and gives the governor the authority to appoint a nominee of his/her choice and then the KS Senate will confirm that nominee.

Be sure to read more about judicial selection in this week's blog by Rochelle Chronister and our other article on national statistics of judicial selection by Senator McGinn. With the stroke of his pen, the Governor will have almost complete control over the Kansas government. The last thing remaining is judicial selection by the governor for Kansas Supreme Court Justices.

To give an example of how judicial selection might work with the governor, we need only to point to Sedgwick County. Judge Anthony Powell was appointed by the Governor after making it through the committee that winnows down applicants to three. However, to fill Judge Powell's position, the Governor's staff seized the 15 applications of the lawyers who had applied for the job. They refuse to release the names and will not go through the process that lets the Wichita Bar Association sort through the qualifications of the applicants and forward three finalists to the Governor. I wonder if he will release any finalists or just announce the appointee...or not.

GUNS

HB2055, the personal and family protection act. This bill would allow licensed persons to carry their guns into most public buildings that do not have security as defined in the bill. It also gives school districts and universities authority to designate employees to carry concealed weapons. This bill passed 84-38. Representative John Wilson, D, Lawrence said "if guns are safe around first-graders, I really believe guns should be safe around us here in the Capitol". The bill also would allow guns in the Capitol.

And HB 2199 would make guns and ammunition made and used in Kansas immune from federal laws. Never mind the supremacy clause. This bill passed 94 to 29.

Conversely, in Colorado, their legislature passed a bill to limit ammunition to 15 rounds. That bill is on the way to the Colorado governor. In addition, they are debating universal background checks.

PROTECTING TAXPAYERS

HB2022 Paycheck Protection Act—another protection act—in this bill, the people being protected are the taxpayers, I guess. Senator Susan Wagle, Wichita, was quoted saying at a Commerce Committee meeting that "Public employees" salaries are not technically the employees but instead belong to the taxpayers. Those taxpayers in turn must be protected from the decisions that public employees are making about their paychecks".

So, in order to do that, the Senate passed HB2022.

This bill has two parts. The first part allows employers to deduct from an employee's paycheck the value of any equipment, uniforms or other such items still in the employee's possession that weren't returned to the employer. Part two would prohibit the automatic deduction of dues in an employee's paycheck that are used to pay for political purposes, such as Political Action Committees. It passed the Senate 24 to 16. **This bill was primarily aimed at Kansas teachers and the Kansas NEA.**

TAXES

HB2059, the income tax reduction bill. Briefly, the Kansas Senate approved keeping the sales tax at the present rate at 6.3 per cent to collect \$262 million. The sales tax was raised in 2010 during the last of the recession years to prevent drastic cuts to programs for the elderly, like Meals on Wheels, and also in education for three years. The sales tax is scheduled to decrease June 30 and return to 5.7 percent rate. However, with the passage of HB2059 and the support of the House, the sales tax will remain at the same rate. In addition, the bill made a gradual elimination of the mortgage interest deduction of .25% and will be eliminated incrementally. Other raids on budgets, such as transportation and the turnpike, are included in this bill. However, revenue still remains short to cover the budget with the proposed income tax cuts. Sixteen conservative members of the Senate voted against raising the sales tax in 2010 and were very vocal, criticizing moderate republicans who voted for it. Talk about a flip-flop.

The House will debate their bill this week. It is substantially different from the Senate and does not keep the sales tax increase. Large cuts will be needed in both bills.

The following bills are still in committee and are some to watch:

EDUCATION FUNDING

SB 224 in Senate Education would remove many weightings in the finance formula, such as virtual, bilingual, non-proficient and vocational and redistribute at-risk funding. Passage of this bill would redistribute money in the formula and give the higher economic districts in Johnson County more money and take away money from districts with high numbers of at-risk, high poverty students. Blue Valley in Johnson County would potentially receive \$14 million more dollars and Wichita would lose \$30 million dollars. No one testified in favor of this bill.

The Innovation bill passed the Senate, but the Charter bill failed in the House. Also this week, is a hearing on HB 2192- eliminating in-state tuition for children of illegal immigrants.

Both House and Senate budget committees recommended cutting higher education budget. We will have more information on higher education in next week's blog.

HB 2027-the decreasing collective bargaining bill-may be sent to an interim committee this summer. The committee chair suggested this possibility in committee. That is code for "it has become too hot to handle"

KPERS

And...this is amazing. The last bill to watch this week is SB 117. This bill has not been discussed the entire session, but the Governor is bringing former basketball player and former U.S. Senator Bill Bradley and Nobel Laureate winner Robert Merton to the House Pensions and Benefits Committee Monday. They will be speaking on possible reforms to the state pension system. They are affiliated with Dimensional Fund Advisors, an investment firm that gives financial planning advice. SB 117 is a vehicle for a plan design for overhauling KPERS.

Last year, the governor wanted to change KPERS from a defined benefit contribution to a 401K-like retirement fund. The legislature changed retirement benefits for new hires to a cash balance plan. Watch this one.

[For more from Jean Schodorf's recent blog, go to <http://ourkansasvoice.com>

Please contact your legislators.

Make that ALL legislators.

They need to hear from you.

NOW!

