

HIGHLIGHTS
FROM
2015 LEAGUE OF WOMEN VOTERS OF KANSAS E- REPORT # 12

This issue of the LWVK E-Report, as the Legislature is about to recess for 3 weeks, is lengthy containing analysis, speculation as well as frustration. Solutions to some serious challenges are not so obvious.

Selected Highlights:

Budget: the creation of the budget is incomplete and made complicated by splitting off the block grant for K-12 Education from the rest of the budget not to mention separation of the judicial budget. The latter is intentional and for obvious reasons.

School Formula: Senator Abrams has pushed forward a new way of calculating the funding and ready to test his proposal on 6 school districts (2016) then 106 (2017) and for all in 2018. Time will tell how far this approach will travel and how success will be defined.

Revenue: The means by which revenue can be raised are as varied as one cares to speculate.

Energy: Several bills that could involve taxation are alive in the tax committee. Be prepared to see support for green energy linked to revenue generation.

Miscellaneous: Bills passed in either chamber could be bundled into one. This technique is used to divide and conquer the vote. Members may not support the entire contents or like one and dislike something else. It is hard to predict outcomes when extremes are packaged together. Remember conference committees consist of 6 members who engage in compromise, however, the rest of the members debate without amending as the Chambers can concur or non-concur.

This highlight feature written by Dolores Furtado, President, League of Women Voters of Kansas.

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Paul Johnson – March 27, 2015

SCHOOL FUNDING SCRAMBLE

The Governor has now signed the underfunded, two-year frozen block grant for public schools with no press or questions allowed. Now the attention turns to the courts and the existing law suits challenging the adequacy of financial support for education by the Kansas Legislature. With the ink barely dry on this block grant - which sunsets in two years -, a new school funding plan is on the fast track to pilot in 2016 and 2017. There are many moving parts to this school funding saga and it may take some time to settle.

The constitutional showdown between the Legislature and the Judiciary is brewing. The courts are being asked to block the new school funding block grant and retain the existing formula. The three judge panel in Shawnee County has issued an order asserting that funding changes will be questioned and that key state officials such as the State Treasurer and the Secretary of State are now parties to the lawsuit if funding reductions are ruled unconstitutional. The Kansas Legislature is ready to tangle. The budget for the Judiciary is now separated from the rest of the State budget and open to more policy changes along with financial trickery. It is likely the Judicial budget will be held to the May veto session for more political leverage by the Legislature. Senate Bill 297 has now been introduced that lists grounds for impeachment of Kansas Supreme Court justices. One of the grounds is attempting to usurp the power of the legislative or executive branch of government. Good luck in drawing a sharp, bright line on what constitutes and who defines these divisions of constitutional power.

The new proposed school funding legislation is Senate Bill 294 – Creating the Education Finance Act of 2015. The focus of this bill is on long-term student success and away from test scores, curriculum mandates and allocation of dollars. The key here is to determine the best success measures. In SB 294, a successful student is one who, within two years of graduating from high school, has: 1) enrolled in a third consecutive semester at a postsecondary educational institution, 2) obtained an industry-recognized credential, 3) entered military service or 4) been employed with an annual income over 250% of the federal poverty line. There is also an employment standard for disabled students. Poverty weighting is changed from the free lunch standard for students to United States census bureau reports. 'Sparsity state aid' calculates the school district by square miles and factors in the number of students. Special education funding is not changed. A 'School district bond review board' – consisting on legislators and State Board of Education members – will limit state aid to only instructional facilities thus excluding libraries, counselor's offices, kitchens, cafeterias, transportation facilities, etc.

There have been two days of hearings on SB 294 before the Senate Education committee. If enacted, this bill would first apply in 2016 to the six school districts that have already been certified as 'innovative districts' by the Kansas State Board of Education. For 2017, the number of school districts could increase to 106 as determined by the State Board. For 2018, it could apply to all 286 school districts. There are many questions and concerns with this bill. Measuring and tracking student success will be a challenge. The ability of school districts to levy local funding is broadened and may lead to greater inequities. Too early to tell if this bill has enough support to pass this year or if it will be debated by an interim

committee this summer. The strongest conservative voices who lobbied hard for the block grant have come out in opposition. The school boards and teacher associations are taking a more questioning position at this time.

THE BUDGET AND TAX DANCE

The Kansas Senate has passed the combined 2016 & 2017 State budget (Senate Sub for HB 2135) that does not include the Judicial Branch budget (Sen. Sub for HB 2005) or the Education Block Grant (House Sub for SB 7) just signed by the Governor. The House was on track to pass its own state budget bill that included the Judicial Branch budget but the votes were not there. Now it is assumed that the Senate budget bill that has been put in House Bill 2135 will go back to House for a vote. If the House concurs, this Senate budget is on its way to the Governor. If the House does not concur, a conference committee will be appointed to sort out the differences. In order to sweeten this budget for the House, the Senate put in \$3 million to procure professional consulting services for an evaluation of State Government for 2016.

The revenue picture remains very unclear. The Governor's income tax package of freezing income tax rates and limiting income tax deductions along with raising tobacco and liquor taxes must pass to balance this budget. A bill must pass to issue \$1 to \$1.5 Billion in bonds for the Kansas Public Employee Retirement System (KPERs) so lower contributions to KPERs from the 2016/2017 state budget will be possible. The March revenues will be known by next week so that may have some impact on the balance sheet. The consensus revenue estimators will meet on April 20 to issue 30 month revenue projections. A guesstimate is that the revenue picture for 2016 could be reduced \$80 - \$100 million given lower sales tax receipts, much lower oil/gas severance tax collections and uncertainty over the actual cost of the income tax rate changes. There are dozens of bills to raise revenues that will be debated, cursed and some enacted to create a balanced budget. This saga will play out in early May during the veto session.

ENERGY LEGISLATION UPDATE

House Bill 2233 would establish the procedure for developing and submitting a state plan to the Environmental Protection Agency to comply with the proposed federal Clean Power Plan (CPP) rule. The Kansas Department of Health and Environment will develop and submit a plan after holding a joint investigation with the Kansas Corporation Commission. KDHE and the KCC will report to the Senate Committee on Utilities and the House Committee on Energy and Environment by November 1, 2015 and provide information on any final CPP rule adopted by the EPA by February 1, 2016. HB 2233 passed the House 121 to 3 and is now headed to the Senate.

HB 2373 and SB 253 sunset the Renewable Energy Portfolio standard by 2016. HB 2373 had two days of hearings while SB 252 had three days of hearings. No final action taken by the committees. It is still possible for these bills to be put in another bill.

HB 2396 and SB 257 put a ten-year limit on property tax exemption for renewable resources. Both of these bills had hearings but no final action yet.

HB 2401 imposes an excise tax on ethanol production and electricity generated by renewable resources. There was a committee hearing but no final action taken yet.

SB 261 imposes the state sales tax on sales of gas, electricity, heat, and other fuel sources for production of heat and lighting for residential premises and agriculture use. A committee hearing was held but no final committee action yet. These last four bills are in Taxation committees that are not subject to legislative deadlines.

ENVIRONMENTAL LEGISLATION UPDATE

Senate Bill 124 is now a combination bill that allows land spreading of oil/gas drilling wastes (SB 124), authorizes KDHE to develop rules to allow low level radioactive rocks and soil be disposed in certain permitted landfills (SB 125) and allow KDHE to establish variances to water quality standards (HB 2303). This bill is now in a conference committee that will meet on Monday March 30 at 8:30 am in Rm 142-S.

Senate Bill 156 is a combined bill that provides for the operation and maintenance of groundwater gage sites in the Arkansas Basin (SB 156), prescribes testing methods for agricultural liming material (HB 2278) and establishes water conservation areas (SB 275). SB 156 is now in a conference committee after passing the House 125-0.

House Sub for SB 36 would create the Local Conservation Deposit Lending Program. The purpose of the program is to facilitate loans by eligible financial institutions for the construction, design, rehabilitation and enhancement of nonpoint source water pollution control systems for public or private owners. (The original bill was HB 2304.) House Sub for SB 36 is now in a conference committee.

House Bill 2061 would permit the Division of Conservation in the Kansas Department of Agriculture to take action through conservation easements for the purpose of compensatory mitigation required under Section 404 of the Federal Clean Water Act. HB 2061 passed the Senate 28 to 12 but is now in a conference committee.

Senate Sub for HB 2177 would permit a water right owner or a group of water right owners in a designated area to enter into a consent agreement and order with the Kansas Department of Agriculture Chief Engineer to establish a water conservation area. Passed the Senate 39 to 0 but is now in a conference committee.

House Bill 2193 would establish the voluntary Risk Management Program and amend law regarding the Voluntary Cleanup and Property Redevelopment Act. HB 2193 passed the Senate 40 to 0 and the House 123-0.

ELECTION LEGISLATION UPDATE

House Bill 2183 would amend statutes concerning campaign communications via social media, use of state or municipal internet connectivity in government buildings, allowable uses and disposition of campaign funds, lobbyist & candidate reporting requirements, and disclosure requirements for certain contributions. HB 2183 is now in a conference committee.

Substitute for SB 171 is the election bill that moves local elections to the fall. This bill has been on General Orders in the House for a week but never brought up for a vote. It has now been sent to the House Taxation committee to keep it alive for this session.

CHILD CARE, FOOD AND PUBLIC ASSISTANCE

Senate Sub for HB 2258 would modify and tighten requirements pertaining to child care, public assistance and food assistance programs. The shrinking safety net in Kansas would get even tighter with this punishing legislation. This bill did pass out of the Senate Public Health and Welfare committee but was passed over for debate this week.

(Note: The Legislature is scheduled to end the regular session on April 3 and reconvene for the veto session on April 29. Next week most of the time will be spent by conference committees working out differences between the House and Senate version prior to a full House and full Senate vote. Conference committees have three House members and three Senators comprised of two Republicans and one Democrat from each chamber. There is an email system that lists the schedules of the conference committees at conference.comm.schedules@las.ks.gov. With the bills listed above, go to <http://www.kslegislature.org/li/> , click on bills and just enter the number of the bill.)

POLICY CHALLENGES AND OPPORTUNITIES

(My wish list for a political dialogue and action plan.)

Kansas is facing a series of serious policy challenges and opportunities. A few can be discussed but most go undebated. First and foremost - the most serious challenge is a self-inflicted revenue crisis that casts a shadow over the future. Caught in this shadow is the fate of school funding and the future of smaller school districts. Health care hangs in the balance of declining revenues as medical providers struggle with lower rates and thousands of uninsured Kansans. Water challenges are everywhere as Kansas drains the Ogallala aquifer and the drinking water supplies are diminished by sedimentation in our reservoirs. Fossil fuel prices are slated to increase while energy efficiency and conservation in Kansas remains underfunded. These challenges and opportunities demand policy leadership and a focused debate - but Kansas waits.

The revenue challenge is real and threatens the quality of life Kansans have enjoyed. On a wing and a prayer was the belief that eliminating the income tax – 30% of the state’s revenue – would spur rapid and widespread economic development. So far that has not materialized as Kansas lags in regional private employment and wage growth. In this ‘pay to play’ political world - it is not surprising the wealthiest political donors would have their taxes cut the most and the least wealthy residents would cover the shortfalls with more sales and property tax. The Governor’s remedy now is to just freeze the lower income tax rates but not limit the tax breaks to the wealthiest limited liability corporations. There should be a debate over reducing the most progressive tax – the income tax – while increasing the reliance on the most regressive taxes – sales and property. The opportunity is now to rebalance revenues and demand fairness.

School funding is the greatest challenge to find a balanced budget since it comprises 50% of the state’s budget. The courts have spoken repeatedly that the existing school formula is underfunded by \$400 million. The Governor’s plan is to freeze this underfunding in place for two years as school districts struggle with serving poorer and more challenged students. The fate of 286 school districts is far from certain. Mandatory consolidation may not be politically possible but slow strangulation could force similar consequences. The objectives of the ruling conservative majority is to break teacher unions, reduce teacher salaries and siphon more public tax dollars off to private schools and corporate educational interests. The next two years may well define what is meant by ‘public education’ in Kansas.

Several states with Republican governors have decided to expand Medicaid on their own conservative terms. Legislative leadership in Kansas will not even permit a serious debate. While the Kansas hospitals and medical providers have agreed to self-taxation to cover the 10% Medicaid match to draw down 90% federal funds, Kansas lawmakers have not been permitted a full debate as 150,000 ‘Medicaid eligible’ poor Kansans remain locked out of medical coverage. Rural hospitals are particularly vulnerable as Medicare rates are reduced, funding for uncompensated health care is reduced and 340,000 folks are stranded in an unaffordable ‘health careless’ society.

Water is the lifeblood of this state. The challenges are very real. The Ogallala aquifer has been drained 30% by now and will be 70% gone by 2050. The 24 federal reservoirs - built on pretty flat ground primarily for flood protection and public water storage – are filling fast with soil and stream bank erosion. 85% of water use in Kansas is irrigation. 35,000 groundwater permits were issued to over appropriate water and mine the aquifer. A serious effort to develop a plan to reverse this over appropriation by phasing down water rights and charging fees for irrigation water has yet to be discussed. While the water system is a multi-billion dollar economic driver for Kansas, the entire State Water Plan is barely funded at \$15 million annually from various fees. The revenue crisis dictates that the Governor’s budget cannot find \$6 million from the State General Fund and \$2 million from lottery funds as mandated by statute. Thousands of interested Kansans have weighed in on a 50 year water vision that prioritizes conservation and sustainable development.

As compared to the other 49 states, Kansas is 39th in having the fewest energy efficiency and conservation programs provided by utilities and government. The Environmental Protection Agency - under its Clean Power Plan – affords Kansas the opportunity to improve our economy through energy

conservation program investments and spending fewer dollars on unneeded Wyoming coal. Our state's economy, our air quality, our water resources and the health of all Kansans will benefit from reducing carbon emissions. With our bountiful wind and sunshine, Kansas is in a unique position to diversify with homegrown energy sources and avoid unstable, future fossil fuel costs. Kansas has yet to fully compute our energy efficiency potential by insulating homes, installing state of art lighting, upgrading out dated air conditioners, replacing inefficient motors in many businesses and funding co-generation natural gas power equipment that generates electricity on site and captures the waste heat for space and water heating. Leadership is now desperately needed to compute these energy savings and mandate that the cheapest source of energy – energy efficiency upgrades – is an integral part of our energy future.

The challenges and opportunities are now before the Kansas' electorate. The revenue crisis should be the opportunity to re-stabilize a tax system that is balanced, fair and resilient to economic cycles. School funding is essential to all communities and the future of economic growth - so a new funding formula must prioritize equity and fairness for all students. The medical care challenge must be addressed and the opportunity is there to cover thousands with Medicaid and assist the working poor with health care subsidies. The debate over water has to move beyond mere debate to an action plan that properly prices water use, prioritizes a conservation plan and fully values the entire ecosystem. Energy conservation opportunities have increased in the 21st century with much better lighting, more efficient appliances, sophisticated energy audits and financing options for energy conservation improvements and solar energy installations. Future challenges do exist for our tax, school, health, water and energy systems but there are very real opportunities to improve these systems and re-establish a quality of life all Kansans can be proud. Why wait any longer?