

HIGHLIGHTS

FROM

2015 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT # 8

February 27, 2015

Balancing the Budget: More cuts versus new revenue

Income Tax Bracket Rates: to remain as is through 2018

Several bills on new taxes and fees will be debated in Committee

Selection of Supreme Court Justices

Leadership still working on getting 2/3 to vote Aye

Election Administration in progress – moving toward passage

Local elections to move to November in odd numbered years

Prosecutorial powers for voter fraud crime granted to Secretary of State and Attorney General

K-12 Education

Block grant proposal not released. Known: no increases in spending for next 2 years

Water

Reservoirs need dredging as stored water volume declines. Delay will increase the cost.

TURNAROUND weekend

Bills passed in one Chamber now move to the other Chamber. Leadership is assigning the bills to Committees. On Wednesday the members return and Hearings resume.

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

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Paul Johnson – February 27, 2015

A REVENUE AND BUDGET REVIEW

The 2015 Kansas Legislative session is at halftime. Now the heavy lifting begins to find that balance between the budget and increased revenues. These processes will move in tandem. The budget committees have been meeting and making final recommendations in both the House and the Senate committees. Once the budgets are passed in the respective chambers, a conference committee will be convened to rectify the differences and settle on a final budget. This will determine the needed revenues to finally create a balanced budget as mandated by the State Constitution. At the same time, the House and Senate Taxation committees will hold several days of hearings considering numerous tax proposals. The actual state revenues from February, March and April will have to be factored into this budget balancing. Consensus will have to be found on acceptable budget reductions and essential revenue increases.

The Governor's tax package essentially freezes the existing, reduced income tax brackets in place through 2018. If revenues grow over 3% from one year to the next, those funds are placed in a 'Tax Reduction Fund' and used for more income tax reductions. The Kansas budget growth is capped at a 2% growth rate. In reality this means that few if any budget reductions will be restored and any inflation increase will be a true challenge to the Kansas budget. The Governor did not change the elimination of income taxes for limited liability corporations (LLC's), Sub Chapter S corporations or sole proprietorships. The problem here is that the number projected was 192,000 but now the number is closer to 335,000. The initial revenue loss estimate was \$160-180 million annually but the cost is now way over \$200 million and very complex to forecast. The Governor proposed a tripling of the cigarette tax and a 50% increase in liquor taxes to raise a total of \$220 million over two years. The Speaker of the Kansas House has already come out against these taxes and wants further budget cuts without offering a plan for those budget reductions. The January revenues were off \$47 million so budget reductions of 2% for Regent institutions and 1.5% for public schools were ordered. These reductions have to be found in the last four months of this fiscal year and carried over to 2016 and 2017.

There will be many tax plans thrown at the wall to see what sticks and what can get passed. SB 178 adjusts the value of agricultural land by using a base assessment computed on cash rents paid for farm land. SB 264 eliminates the sales tax exemption on farm machinery. SB 261 imposes a sales tax on natural gas and electricity used at residential premises or for agricultural use. SB 260 modifies and increases income taxes relative to passive income. SB 258 eliminates the \$20,000 now deducted from residential property before the 20 mil statewide school levy is computed. SB 257 puts a ten year property tax exemption limit on renewable energy projects such as wind farms. SB 251 decreases Kansas' Earned Income Tax Credit (EITC) from 17 to 8% of the federal EITC and makes it non-refundable. There will be many more tax proposals floated to solve the revenue gap of at least \$600 million over the next two years. What won't be seriously discussed is rolling back the income tax reductions. What won't be seriously discussed is the regression of Kansas' taxation by more reliance on sales and property tax.

KANSAS SUPREME COURT SELECTION

The Governor has proposed that Kansas Supreme Court justices either be elected as they are in many states or selected solely by the Governor and confirmed by the Kansas Senate. HCR 5004 would establish direct partisan elections for both Kansas Supreme Court justices and Court of Appeals justices. The term would be for six years and reelection permitted. There would be no prohibition for the candidate to request political contributions or serve as a party official. HCR 5005 authorizes the Governor to select Kansas Supreme Court and Court of Appeals justices. The Kansas Senate would have to confirm these judicial selections. If selected and confirmed, these justices would then be subject to retention elections. (Note: Court of Appeals justices are now selected by the Governor and confirmed by the Senate but this process is only in statute and not in the Kansas Constitution.) These two concurrent resolutions passed the House Elections committee 13 to 9. It will take a two-thirds vote of the House – 84 votes – to pass and right now there are only 74 yes votes for HCR 5005. HCR 5004 has far fewer yes votes. The Kansas Senate voted last year by two-thirds for a version of HCR 5005.

ELECTION LEGISLATION

Sub. for Senate Bill 171 passed the Senate 21 to 18 and is now headed to the House. This bill moves municipal, school board and special elections to August and November in odd numbered years. These elections are non-partisan but municipalities have the flexibility to make their election partisan. With a notice of 365 days from the county election officer, school districts will be required to provide a designated school building as a polling place. For more details: http://www.kslegislature.org/li/b2015_16/measures/sb171/

House Bill 2104 passed the House 69 to 54 and is headed for the Senate. This bill deals with filling vacancies on the ballot and makes 'death' as the only reason to withdraw a candidates' name from the ballot. This bill makes deadline and related changes as well.

Senate Bill 34 creates or amends law related to election crimes, prosecution of those crimes and election definitions. This bill gives the Secretary of State and the Attorney General the authority to prosecute such crimes. The fiscal note for county attorneys or the courts is unknown at this time. The Senate passed the bill 23 to 17.

SCHOOL ISSUES

The Governor's two year block grant funding bill for public schools has still not been unveiled. The theory of a frozen block grant was easy but actually drafting such a bill with all of its complexity is another matter. School districts would get roughly the same amount for 2016 and 2017 as they got in 2015. Weightings for special needs and poorer students would be disregarded. What happens to school districts with increasing numbers of students versus school districts with declining numbers of students? What - if any - authority would school districts have in raising local property taxes? What might these changes do to 'equitable funding' per student and how will the courts react? K-12 is 50% of the Kansas budget.

Senate Bill 136 and House Bill 2326 both deal with negotiations between teachers and school districts. They both had significant debate on the House and Senate floor. In committee, they both started out as very narrowly drawn on what issues could be negotiated. On the House floor, HB 2326 was amended to allow far more items to be negotiated and it passed 109 to 14. SB 136 was also amended on the Senate floor to expand the number of negotiable items but did not go as far the House bill. Many more hours will expended to find that right compromise. Senate Bill 188 amends the reporting of public budget documents by school districts. The bill mandates under the title 'employee compensation' that the 10 highest school district salaries (just 3 for school districts under 500 students), the lowest, highest and average teacher salary, and dollars per pupil be listed. SB 188 passed the Senate 27 to 13.

KANSAS NOXIOUS WEED ACT

After hearings on this bill – Senate Bill 134 -, the Senate Agriculture committee voted to table the bill for this session. This committee also voted to recommend to the Legislative Coordinating Council that this bill be referred to an interim committee for further discussion and debate. This bill is fundamental change to how weeds are listed, what powers counties have to eradicate these weeds and how to assure residents that eradication by chemical spray is done in the safest manner possible. It will be important for concerned citizens to monitor and testify to draft the most responsible policy.

KANSAS WATER SUPPLY

The Kansas Biological Survey (KBS) gave a great presentation to the House Vision 2020 committee on the Kansas water supply threatened by reservoir sedimentation. KBS has been using eco-sounders and sediment coring on a few reservoirs for a decade to document the rate and amount of sedimentation. Of the 24 federal reservoirs, Tuttle Creek (43%), Toronto (42%), John Redmond (40%), Kanopolis (38%), Fall River (33%) and Elk City (32%) have the most infilling since their construction. 11 Kansas federal reservoirs will be 50% infilled by the end of the century. At \$6 per cubic yard of soil for dredging, it will cost \$13.8 Billion by 2100 to dredge back to original volume.

Kansas has 200,000 impoundments of all sizes with 130,000 larger than ¼ of an acre. The 24 federal reservoirs have three times the water volume of all of our other Kansas impoundments. Given the cost of monitoring and measuring infilling, Kansas now knows the infilling rates of the 24 reservoirs but few infilling rates of the other 200,000 such as Leavenworth or Douglas County state lakes. While natural lakes are thousands of years old, Kansas' reservoirs are just decades old and subject to much greater sedimentation and stream bank erosion. This erosion and runoff sets the stage for more algae growth. In 2012, 24 county lakes were put under KDHE advisories/warnings. With very little data on these lakes and even farm ponds, there is growing concerns that these smaller impoundments will evolve from catching sediment to begin flushing and become sources of sediment. As Kansas farms have done a better job with land management, cover crops and buffer strips, there now appears to be more stream channel erosion. Reservoir infilling does not appear to KBS to be slowing. The \$20 million dredging plan for John Redmond reservoir will not be enough to negate the sedimentation still coming into the

reservoir. Much more research must be done to fully understand the causes of the infilling and develop strategies. Impoundments such as farm ponds form networks and all must be considered.

WEEK OF MARCH 4 – 6

(Note: The Kansas Legislature is off Monday March 2 and Tuesday March 3. In the final hours of last Thursday, several committee hearings were announced for March 4 and March 5. One needs to check the updated calendars at <http://www.kslegislature.org/li/>)

Senate Natural Resources on Wednesday March 4 at 8:30 am in Rm 159-S: HB 2156 – Public water supply storage; interest rate change.

Senate Ethics and Elections on Wednesday March 4 in Rm 142-S: Discussion and possible action on: SB 42 – Governmental ethics; public funds used for lobbying.

Senate Ways and Means Education Subcommittee on Wednesday March 4 at noon or upon adjournment of the Senate in Rm 548-S: Regents Budget Recommendations

Joint Committee on State Building Construction on Thursday March 5 at noon in Rm 159-S: Presentation on the sale of state buildings by the Kansas Department of Administration.

House Appropriations on Thursday March 5 at 9:00 am in Rm 112-N: Budget committee report on Department of Agriculture, Court of Tax Appeals, Department of Revenue and state correctional facilities.

House Corrections and Juvenile Justice on Wednesday March 4 at 1:30 pm in Rm 152-S: Joint House and Senate Corrections Committees Informational Hearing on: Kansas Juvenile Justice System and Recommended Reforms.

House Agriculture and Natural Resources on Wednesday March 4 at 3:30 pm in Rm 346-S: Use Value Appraisal of Agricultural Land – Roger Hamm and Dave Harper, Division of Property Evaluation, Department of Revenue.

House Taxation on Wednesday March 4 at 3:30 pm in Rm 582-N: Hearing on HB 2307 – State finances; relating to state general fund receipts and expenditures; providing a tax amnesty; creating a budget stabilization fund, tax reduction fund; ending balances; income tax rates; itemized deductions; reports to the legislature. (Note: This is the Governor's tax plan.)

