

## HIGHLIGHTS FROM

### 2015 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT # 9

March 6, 2015

#### **Policy Battles aside from Budget Needs:**

- Clean renewable energy versus fossil fuels
- Moving local spring elections to fall, non-partisan passed Senate
- Taxing Agricultural properties

#### **Value of Agricultural Land**

- Use of land (income) should define value of land
- Currently, property taxes generate \$ 4.5 billion per year on \$ 31.782 billion taxable value
- Half comes from 5 counties

#### **Water systems**

- Kansas has 1011 public water supply systems (1/3 surface; 2/3 ground)
- 96 percent meet the Maximum Contamination Levels
- State and Federal funds used to monitor quality of water supply.
- Watershed restoration and protection: monitor nutrient and sediment pollution
- Superfund clean-ups take years.

#### **Economy**

- As measured by goods and services, new jobs, wage growth, population: Kansas not growing
- Doing well as measured by unemployment rate and building permits

#### **TURNAROUND weekend**

Bills passed in one Chamber now move to the other Chamber. Leadership is assigning the bills to Committees. On Wednesday March 11, 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 – March 6, 2015

### POLICY BATTLES

Lawmaking time is tightening. The clock is running. Political decisions are being made on which policy battles will be engaged. The budgets for 2016 and 2017 in the House and the Senate are pretty close to being finalized but differences will have to be reconciled. The new proposed block granted school funding formula purports to provide \$300 million in new funding above the Governor's recommendation. This digs the deficit hole even deeper so finding adequate revenues will dominate the Legislature in March and the May veto session. In the meantime - certain other policy battles have been scheduled. The fight over clean, renewable energy starts again next week. The election plan (Sub. for SB 171) to move local, spring elections to the fall will continue next week in the House. The proposal (SB 178) to change and increase the property value of agricultural land will have its first hearing in the Senate next week.

The corporate fossil fuel interests - with unlimited 'Supreme Court blessed' dark money campaign contributions - have called their token elected officials and ordered yet again another attack on clean, renewable energy in Kansas. While endless subsidies for oil and gas production are ordained and blessed by the 'free market', there should be no subsidies or mandates to promote renewable energy. While there is great uncertainty over future costs of coal, oil and natural gas but no uncertainty over future wind and solar costs, the fossil fuel interests will condemn clean energy while ignoring the external costs of pollution and the massive use of cooling water. The hearing dates are:

**Senate Utilities** on Tuesday March 10 at 1:30 pm in Rm 548-S: **SB 253** – Renewable energy standards act sunset.

**House Energy and Environment** on Wednesday March 11 at 9:00 am in Rm 582-N: **HB 2372** – Renewable energy standards act sunset.

The debate over spring and fall elections has now moved from the Senate - where it passed 21 to 18 - to the House Elections committee for a hearing this week. **Sub. for SB 171** moves municipal and school district elections from the Spring (March-April) in odd-numbered years to the Fall (August-November) in odd-numbered years and leaves them non-partisan. The term "municipality" does not include any special district where the election of the governing body is conducted at a meeting of the special district such as Rural Water Districts. A Senate floor amendment mandated that bond and tax increase elections for cities, counties and school districts shall be held at a primary or general

election thus prohibiting 'mail only' elections. All unified school districts shall make suitable school buildings available for polling places provided the county election officer gives the district a notice 365 days in advance. The Secretary of State shall establish by rules and regulations the arrangement of names for the primary and general election ballots. The Chairman of the House Elections committee announced he wants to move some of the local elections to the fall of even-numbered years, list these local elections first on the ballot and have them remain non-partisan.

**House Elections** on Wednesday March 11 at 1:00 pm in Rm 281-N: **Sub. for SB 171** – Municipal elections; nonpartisan; fall odd-numbered years.

The policy battle over valuing agricultural land has been joined. **SB 178** changes the way rental payments are used to determine value of agricultural land. Existing law uses rental payments but deducts operational costs to arrive at a net income figure. SB 178 uses the rental payments with no deductions so this increases the net farm income.

**Senate Assessment and Taxation** on Tuesday March 10 at 9:30 am in Rm 548-S: **SB 178** – Valuation of agricultural land.

### **THE VALUATION OF AGRICULTURAL LAND**

The statute to value agricultural land on 'use value' as opposed to 'market value' was passed in 1985. It took till 1989 to write the rules and regulations to implement this law. Of all classifications of real and tangible property, agricultural land is not valued on market value but agricultural income. The assessment rate is at 30% and second highest only to the 33% rate for public utilities. The property tax is the largest, single source of revenue in Kansas. It now generates \$4.5 billion per year from \$31.782 billion of taxable value. Property taxes are the main source of revenue to fund local services provided by cities, counties and other taxing subdivisions for roads, streets, parks, ambulance, fire/police, schools and community colleges.

Five Kansas' counties account for 50% of the \$31.782 billion of taxable value. By itself, Johnson County accounts for 25% of this taxable value. In 2014, residential property was 48% of total value. Commercial and industrial property accounted for 26%. Public utility property accounted for 12%. Oil and gas accounted for 7% while agricultural land accounted for just 5%. Agricultural land valuation uses a modified income approach. By design, ag land is insulated from outside market forces. Value is based on use of the land such as cultivated land versus grassland. The better land is valued higher than average or poorer land. The Soil Rating for Plant Growth index from the federal Natural Resources Conservation Service is currently used.

The value of agricultural land is based on management reflecting median production levels. Eight-year averages of yields, prices and 'grass cash' rents are used. The eight-year average of normal Landlord Net Income for crops and the eight-year normal Landlord Net Rental Income for grassland is used. The five-year average of CoBank land loan rate determines the capitalization rate. The basic valuation process is Landlord Gross Income minus Landlord Expenses equals the Landlord Net Income. This Landlord Net Income is then divided by the Capitalization Rate to arrive at the Agricultural Use Appraised Value. This calculation of Landlord Net Income is done on a countywide basis so the mix of crops grown in a county is used as opposed to the cropping pattern on one given farm.

The Landlord Net Income has been increasing and so has agricultural land property taxes. The increase for this year was on the order of 13% and increases are expected for the next four years. For example - in Doniphan County, the Landlord Net Income by acre in 2004 was \$56.91. In 2012, income per acre was \$144.23. In 2014, the lower income figure of 2004 will drop off the eight-year calculation and so the average will increase. In 2014, the agricultural land's taxable value was \$1.7 billion computed on 49 million acres. This taxable value generated \$229 million in property taxes. This computes to 5.34% of the taxable value. The average tax per acre was \$4.67 and the statewide average of appraised value per acre was \$117. Lawmakers will now start debating these figures. Questions will be raised over the fairness of this system in comparison to the property taxes paid by residences and businesses.

### **PUBLIC WATER SYSTEMS IN KANSAS**

Kansas has 1,011 public water supply systems. 367 of these systems use surface water for 1.942 million Kansans. 644 systems use groundwater for 769,000 Kansans. 95% of Kansans receive water from a public water supply (PWS) while 5% have private sources. 96% of PWS users receive water that meets all Maximum Contaminant Levels (MCL's). 88% of PWS had no violations of MCL's. 12% of systems had violations. These systems serve just 4% of all water users. Most problems are in small systems. Arsenic was found in six systems serving 2,967 persons. Uranium was found in five systems serving 5,031 persons. Nitrates have been found in 15 systems serving 8,089 persons.

This information came from the Kansas Department of Health and Environment Bureau of Water. With funding from the State Water Plan and federal funds, four different areas are targeted: contamination remediation, total maximum daily load (TMDL) initiatives, nonpoint source pollution, and watershed restoration and protection strategy. Contamination remediation funds are used for 1) operation and maintenance costs of Superfund projects; 2) 10% state match requirement for remedial actions at

Superfund projects; and 3) investigation and remediation costs for orphaned contaminated sites under KDHE management. Orphaned sites are abandoned, contaminated sites where a previous owner cannot be identified or no assets to pursue. The State must take ownership of these orphaned sites to receive federal funds. There are 82 orphaned sites and 6 active superfund sites that will require assessment, monitoring, remediation, state match and long-term operation and maintenance activities. Most Superfund cleanups are measured in terms of decades as opposed to months or years.

TMDL funds are used to identify and rectify watersheds that are impaired by pollutants, thus limiting the designated uses of their lakes and streams. Identification is based on analyzing stream, biology and lake water samples, comparing the results to established water quality criteria, and determining impairment. For impaired watersheds, a rectifying TMDL is written specifying quantitative reductions for point and non-point sources. The primary focus is nutrient pollution in Kansas waters. Based on current funding levels, remediation of most watersheds is estimated to take 20-40 years. The number of impaired waters needing TMDL's in Kansas is currently 483. Between 12 and 20 TMDL's are completed annually.

Nonpoint source funds are used to match Federal Clean Water Act 319 funds. Federal grants from Section 319 cover up to 60% of the total cost of the program; states are responsible for the remaining 40%. The top priority is to focus on nutrient and sediment pollution. Watershed restoration and protection strategy funds are used to support locally-led Watershed Restoration and Protection Strategy (WRAPS) groups. WRAPS is a planning and management framework intended to engage stakeholders in a process to identify watershed restoration and protection needs, establish management goals, create a cost effective action plan to achieve goals and implement the action plan. The State Water Plan funds (\$555,884) are combined with federal funds to support this effort. Wastewater treatment discharges, row crop agriculture and livestock production are the primary sources of nutrients. WRAPS plans have identified targeted areas for installation of nonpoint source best management practices.

## **TRAILING THE COMPETITION**

### **Governor's Measures of Economic Growth Show Kansas Behind the Region**

'Kansas' economy is performing poorly compared to neighboring states on most measures, despite tax cuts that supporters promised would bring strong economic growth. The state is trailing in the overall output of goods and services, employment

growth, wage growth and population. It is doing better on unemployment – where it has traditionally had an edge – and, recently, building permits.’

‘Overall, our state has a mixed economic record with some encouraging performance on our unemployment rate and recent upticks in building permit growth rates. However, in many fundamental measures of the economy, Kansas is behind. Our overall economic output (gross state product) has been falling compared to the region, and trends in private sector job and wage growth are disappointing.’

<http://realprosperityks.com/kac/wp-content/uploads/2015/03/performance3.2.pdf>

### **WEEK of MARCH 9 – 13, 2015**

**Senate Assessment and Taxation** on Wednesday March 11 at 9:30 am in Rm 548-S: Hearing on SB 258 – Eliminating property tax exemption from statewide school levy for property used for residential purposes to the extent of \$20,000 of its appraised valuation... On Thursday March 12: Hearing on SB 260 – Modifications to Kansas adjusted gross income relative to passive income for Kansas income tax purposes.

**Senate Ethics and Elections** on Wednesday March 11 at 9:30 am in Rm 142-S: Hearing on HB 2104 – Elections; filling vacancies of nominations... On Thursday March 12: Hearing on HB 2183 – Political campaigns and use of technology.

**Senate Local Government** on Monday March 9 at 9:00 am in Rm 142-S: Informational Hearing: Government Funded Associations: Lobby Influence and Costs

**House Appropriations** on Tuesday March 10 at 9:00 am in Rm 112-N: Budget committee report on: Department of Children and Families & Department of Education

**House Education** on Wednesday March 11 at 1:00 pm in Rm 112-N: Discussion and possible action on: HB 2292 Development and establishment of K-12 curriculum standards.

**House Judiciary** on Tuesday March 10 at 3:30 pm in Rm 112-N: Hearing on HCR 5013 – Constitutional amendment revising article 3, relating to the judiciary; placing the court of appeals into the constitution; changing the membership of the supreme court nominating commission.

(Note: There have now been 273 Senate and 403 House bills filed. Most committees meeting next week just list ‘meeting scheduled – agenda to be announced’. Some list

'possible action on bills previously heard'. The 'committee assistant' and phone number for each committee is listed in the Calendar just below the committee title. A phone call might get you information on what business the committee may take that day.)