



2016 KANSAS LEGISLATIVE E-REPORT #10

Paul Johnson – March 11, 2016

POLITICAL POWER PLAYS

As the State of Kansas continues its slow decent into bankruptcy while the Governor and legislative leadership are adamantly blocking any debate on this revenue crisis, it is now time to raid and destabilize institutions from the schools to the courts to local units of government. The legislative plan is to patch together the 2016 budget that ends on June 30 with budget gimmicks and arbitrary budget cuts by the Governor, leave town as soon as possible to campaign and foist the 2017 budgetary crisis on the 2017 Kansas Legislature. With two weeks left in the regular session and the veto session beginning on April 27, there would be time to confront the revenue and budgetary challenges but there is no political leadership offered by the ruling conservatives or the minority party.

The revenue games to offset the loss of income taxes are numerous. **Senate Bill 463** would sweep several special revenue funds into the State General Fund (SGF). One revenue fund from the lottery and one from the casinos have been designed to fund certain economic development projects and infrastructure improvements. The children's initiative fund comes from the tobacco settlement and is dedicated for certain early childhood programs. These settlements will be paid until 2025 and are valued at over \$600 million. Reports have now surfaced that the Governor's office had meetings with Citi Bank last fall to sell off these settlements - as 20 other states have done - for around \$400 million to help fix the immediate cash balance shortage. A portion of the state sales tax (.6%) is dedicated to the highway fund and never touches the SGF. This bill would route this sales tax through the SGF thus making it possible to redirect these funds to other needs. As state revenues continue to tighten, fees are increased to expand the number of Highway Patrolman. Water report fines increased to help with administrative costs. Court fees increased to fund personnel.

Schools are now in the crosshairs. With a Kansas Supreme Court order to fix the inequities in the State funding school bond projects and no new revenues available at

the State level, the plan is to reformulate school funding so that 100 school districts will receive extra aid while 186 school districts will lose some funding. There are a number of school districts that have built up extra cash balances as a safeguard to school funding uncertainty coming from Topeka. Legislation is now introduced – **Senate Bill 505** – that will capture cash balances over 15% and save the State \$180 million over five years. **Senate Bill 499** tightens down procurement procedures by school districts when they bid for supplies or services. There are efforts to mandate that school districts must join certain insurance pools for property and casualty policies. As the Governor just reduced funding for the higher education institutions by 3% (\$17 million by June 30), the school funding block grant could well be on the chopping block for 2017 since the Governor has been given special allotment authority and K-12 funding is not exempted. The effort in **House Bill 2457** to expand tax credits to fund scholarships for low income students at private schools was passed over on the House floor and is raising concerns by conservatives over the potential cost of lost revenues to the State. **House Bill 2486** - that develops a mechanism by the State to monitor and control the State's cost in subsidizing school bonding projects – has been amended greatly in the House Education committee and may well pass the committee on to the whole House next week. **Senate Bill 311** would have moved school funding from the Kansas State Department of Education to the Department of Administration but was met with such stiff opposition that the Chairman of Senate Ways and Means stated the bill is dead.

County and city budgets are now coming under greater scrutiny. When the tax package passed in 2015 increasing the sales tax, cigarette taxes and limiting certain tax deductions, a hard property tax lid was inserted for cities and counties forcing them to hold elections to spend extra revenue coming from property taxes that increased over the consumer price index. This provision was inserted to line up enough votes from conservatives. This provision would be enacted in 2017. **Senate Bill 316** would move up the enactment of this property tax lid to this year – 2016. This bill mandates a mail ballot election so counties would be holding the regular primary election in August as well as sending out a mail ballot. The biggest reason property taxes at the local government have increased is the revenue loss to local governments from actions by the Kansas Legislature. (Actions such as eliminating the mortgage registration fee, repealing the machinery and equipment tax, suspending the local ad valorem tax reduction fund, suspending City-County revenue sharing and reducing delinquent tax interest rates). For Wyandotte County, these broken promises from State government cost \$18 million a year and it takes 18 mills in property tax to cover these losses. **House Bill 2609** is a compromise effort offered by local governments to reformulate the consumer price index and require citizens to use a protest petition to call for an election.

The courts are under attack by the conservatives. **Senate Bill 439** establishes standards to impeach justices for usurping legislative or executive branch powers. This bill has now passed out of the Senate Judiciary committee and will be heard on the Senate floor next week. While **Senate Bill 440** – that deals with judicial administration – has been moving along in the House, **Senate Bill 454** - that deals with court fees and funding - has stalled on the Senate floor for a couple of weeks. In this toxic political environment, funding the courts equitably without relying on regressively high court fees will be a challenge for a Kansas Legislature and a broke State budget.

VETO OVERRIDES

In signing the budget bills for 2016 and 2017, the Governor line item vetoed two budget provisos. One would stop the Governor from completely demolishing the Docking State Office building which has a remodeled power plant that supplies steam to several state office buildings. The Governor had started plans to construct a new \$20 million power plant without express approval by the Legislature. The Docking Office building could be reduced to one story and continue to use the existing power plant at far less money. The Governor is now worried a veto override would threaten the bond rating for Kansas. The Kansas Senate will consider a veto override next week.

There is a battle over the use of STAR bonds and a future new home for the American Royal in Wyandotte County. STAR (sales tax as revenue) bonds are paid off with sales tax revenue generated in the new developments. They were the key development tool in the Kansas Speedway and the Village West shopping center in western Wyandotte County. The Governor wants to entice American Royal to move from Kansas City, Missouri to Wyandotte County close to the Speedway. The negotiations for this development is strictly confidential but basically the American Royal itself would not generate enough sales tax to pay off the bonds so efforts are being made to include a hotel complex in the existing development around Village West and use those sales taxes for the new STAR bond American Royal project. This was never the intent of the Legislature in enacting STAR bonds. The sales tax revenue in these projects is diverted from going into the SGF for all state programs. While a veto override has not yet started in the Senate, **Senate Bill 474** – that authorizes the sale of assets of the Kansas Bioscience Authority – has been amended to block the use of existing STAR bond sales tax revenues being used in new STAR bond projects. The Governor counted on \$25 million in Kansas Bioscience Authority asset sales to help fund the 2016 budget that is already \$50 million under water so political intrigue is increasing.

LEGISLATIVE TIMELINES

The plan is to end the regular session on Friday March 25 – two weeks from now. Next week, most committees will work on legislation that has already been heard before the committee or passed over from the other chamber. The week of March 21 to the 25th will be reserved for floor debates and House/Senate conference committees reconciling the differences in bills that have passed one chamber or the other.

NATURAL RESOURCES

The Senate Natural Resources committee will have many challenges next week to finish business. **House Bill 2479** – that fundamentally alters noxious weed law – has been amended to improve the bill by keeping the Legislature in control, defining ‘drift’, allowing a landowner to post land as a ‘no spray’ zone and having the county weed departments take more liability for any drift damage. More amendments will be presented next week. **Senate Bill 384** lowers the protection under the nongame and endangered species conservation act. A subcommittee has been meeting to find a compromise that can be presented to the full committee. **Senate Bill 425** regulates conservation easements by county commissions for their county. There were several days of hearings but the future of this bill is very uncertain.