



Legislative Update

Your League of Women Voters of Kansas e-Report from the 2016 Kansas Legislature by Paul Johnson

2016 KANSAS LEGISLATIVE E-REPORT #11

Paul Johnson – March 18, 2016

REVENUE UNCERTAINTIES

As the Kansas Legislature rushes to finish the regular session next Friday, there seems to be no rush to debate and fix the faltering revenues. The plan must be to leave town by March 25 and return on April 27th to assess the revenue situation. The revenues collected in March will be revealed on April Fool's day with a prayer they have not fallen \$50 million as the collections in February. The consensus revenue experts will meet on April 20 to develop new revenue projections for the next 30 months. These revenue projections must be used by the Legislature and the Governor to finalize the 2016 and 2017 State budgets. The veto session begins on April 27 and may last for a few weeks if - as expected - the consensus revenue projections are again down \$100 to \$150 million as the projections were last November. The revenue numbers for April will also be revealed on May 1 possibly indicating more revenue loss. Monthly revenue collections have been lower 11 of the last 12 months. One has to wonder how bad the losses must be to inspire legislative leaders to act in the veto session or will the leaders simply let the Governor decimate more state services and leave the whole mess to a newly elected 2017 Kansas Legislature?

As state support continues to decline for regent institutions and now there is a new 3% reduction (\$17 million) for the final four months of this fiscal year, the University of Kansas moved ahead with a creative expansion project to upgrade declining science laboratories, build a new student union, expand parking on campus and develop new student housing for out of state and foreign students. This project was funded with the extra housing funds from the new students and the fees generated off the union plus parking. While private, corporate funding is available for projects such as expanding the business school or sport facilities, such is not the case with improving science facilities or constructing new student housing. After three years of planning and continual review by the Board of Regents, the issuance of bonds for this project was rejected by the Kansas Development Finance Authority over financing science research laboratories. KU

than turned to the finance authority in Wisconsin to proceed with issuing bonds since the market timing was right. The Kansas Legislature was unhappy with KU going to Wisconsin and not keeping them fully updated on the project. Now the Legislature is working on legislation to fully control these creative, privately financed projects.

At the same time the Governor has been working behind the scenes to move ahead with state building or state financed projects without explicit approval by the Legislature. The Docking State Office building, just west of the Capitol, is being abandoned and slated for demolition. Underneath the Docking building is a recently remodeled power plant that provides steam to the Capitol and four other state buildings. The Governor's plan was to completely demolish Docking and construct a new \$20 million power plant at another site using the Landon State Office building as collateral. The other option is to demolish Docking down to one floor and thus salvage the existing power plant. The Kansas Senate voiced strong opposition to the Governor's plan and has now forced the Governor to abandon his plan for the new power plant. The Kansas Senate has also voted to stop the private plans by the Governor to give away millions in state sales tax revenues to private developers to lure the American Royal to Wyandotte County from Kansas City, Missouri.

The Governor's revenue experiment to spur expansive economic growth by eliminating the income tax has great uncertainty. During the 2014 re-election campaign, the Governor set a goal of adding 25,000 jobs each year during his second term. From January 2015 to January 2016, Kansas added 1,400 nonfarm jobs – one of the worst rates in the nation. Kansas' gross state product dropped by 1.1% last year compared with a 0.1% increase for the six-state region and a 2% increase nationally. Building permits decreased by 3.1% last year compared with a 1.2% increase for the region and 14.2% increase nationally. Private establishments in Kansas increased by 1.6% compared to 2.7% in the region and 2.1% nationally. While a 4% unemployment rate – down from 4.3% in January 2015 – is better than the region or the nation, this has been the case since 2008 long before the Governor's tax cuts. How long and painful must this income tax experiment be before a permanent reduction to the quality of life in Kansas and the competitiveness of the Kansas economy is fully understood?

SCHOOL FUNDING FIGHTS

Legislation is finally moving to address the school funding equity ordered by the Kansas Supreme Court. The Kansas Legislature has till June 30 to fix this equity issue or public schools will not open on July 1. Given the existing budget deficit already facing the Legislature and little debate on finding new revenues, it is a real challenge to find any new money. The Kansas Supreme Court was clear in their decision that fixing the

inequity problem between wealthier and poorer school districts must not come from funds in the basic block grant already passed for 2017. The Legislature may feel it has no other choice. It seems more likely a special legislative session may have to be called this summer to find a solution.

The cost to fix the local option budget and capital outlay state aid for the local school districts is \$38.6 million. **House Bill 2731** would have added \$20 million in new state general fund dollars and transferred the \$17.5 million from the extraordinary needs line item - that assists school districts with new enrollments or certain loss of property valuation – to fix the equity problem. There would be winners and losers among the 286 school districts and would force some school districts to raise mill levies to compensate for the loss. The House Appropriations committee members did not support this plan and the chairman was forced to withdraw the bill. A new bill with a different formula will be presented and debated next week in the House.

Senate Bill 512 was quickly heard in the Senate Ways and Means and voted to the floor for debate next week. No new money was provided with this bill. The 2017 school block grant will be cut by 1.45% to fix the equity problems. Once again there will be winners and losers among the 286 school districts. The reduction here of 1.45% will come out of operating budgets for every school district so they will all face that loss. This move - to flaunt the Kansas Supreme Court's school funding equity order by taking operating funds from all school districts to assist the poorer school districts - will set the stage for a constitutional confrontation. It is very unlikely that SB 512 can make it through the whole Senate and the House by next Friday when the regular session ends so this debate will not be settled till the veto session in May.

Beyond this equity fight, there are several bills recommended by the A & M efficiency report to pare money from school districts to lessen state support. **SB 505** and **HB 2728** would force school districts to spend down any ending balances over 15%. **HB 2729** and **SB 499** would require school districts to procure specific spend categories – such as fuel, supplies, materials, maintenance services, etc. – through the Kansas Department of Administration. **HB 2730** authorizes the establishment of a school district group-funded pool for health insurance purposes. Time is short so it is hard to predict which of these bills have enough traction to be implemented this session.

LEGISLATION TO WATCH NEXT WEEK

With only one week left in the session, there is very little time for too many committee hearings. Most of the time will be spent on floor debates and the work of conference committees that will bundle bills on the same topic into one Christmas tree package.

House Bill 2595 reserves the regulation of nutritional labeling for food menu items in restaurants and vending machines to the legislature. HB 2595 was amended on the House floor to limit its impact on local zoning laws. This bill has now passed the House and its future is uncertain in the Senate.

House Bill 2479 changes noxious weed law in Kansas. The House version made fundamental changes by moving the listing of noxious weeds from statute to rule and regulation by the Secretary of Agriculture. The Senate's amended version leaves the listing in statute but gives counties more authority to control noxious weeds. This bill will first be debated on the Senate floor next week and then conferenced with the House.

Senate Bill 314 extends the life of the 'Local Food and Farm' task force for one more year. This bill has passed the Senate and just passed out of the House Agriculture and Natural Resources committee. Hopefully it will be passed by the full House next week and sent on to the Governor.

Senate Sub. for House Bill 2059 creates application requirements and fees to appropriate surface water that otherwise leaves the state. This is the effort to allocate Missouri River water and transfer it across Kansas. After several weeks of debate, this bill finally made it out of the Senate Natural Resources committee and will be debated on the Senate floor next week.

Senate Bill 367 fundamentally amends the juvenile justice system in Kansas. The plan is to lessen the mostly costly placements for juveniles and use those savings for more community and alternative settings. There is no guarantee those savings will be directed to community options. This bill has had extensive hearings in the Senate and the House. It has passed the Senate and an amended version has now passed the House so it will be in a conference committee next week.

Senate Bill 425 would have made fundamental changes to conservation easements by inserting county commission control and possibly limiting the perpetual length of the easement. After several days of contentious hearings, the Senate Natural Resources committee on a vote of 6 to 3 tabled and hopefully killed the bill for this session.