

**LEGISLATIVE E-REPORT
LEAGUE OF WOMEN VOTERS OF KANSAS**

Ernestine Krehbiel
President & Editor

Issue No. 15
April 6, 2012

LEAGUE OF WOMEN VOTERS OF KANSAS 2012 E-REPORT #15

Paul Johnson – April 6, 2012

VETO SESSION SCRAMBLE

The Kansas Legislature has left all of the hard decisions for the veto session that starts April 25. The \$14.1 Billion mega-appropriations budget bill agreement between the House and Senate fell apart at the last minute over a funding source for public education. The conference committee on the Senate and House tax bills met a few times before the first recess but made little progress towards a compromise. The Governor's proposal to privatize the Kansas' Medicaid program via managed care – KANCARE - has raised great concerns. The toughest battle for this Legislature will be to redraw Congressional and legislative districts without a very bitter, ideological fight.

Developing a 2013 State budget will depend on many moving parts. Tax cuts will have to be settled and factored into available revenues to determine the size of the 2013 State budget. The budget battle may be done in two steps where the mega-appropriations budget is compromised and passed soon after the veto session starts. Final adjustments such as the tax cuts, extra school funding and property tax relief would be put in the catch-all Omnibus bill that finishes the legislative session. The other path is to just use the Omnibus bill for all appropriations and tax policy changes. The consensus revenues experts (economists from WSU, KSU, KU – Kansas Legislative Research Department – Governor's staff) will meet on April 12 to develop new 18-month revenue projections that must be used for developing the final 2013 State budget. It is very likely these projections will increase revenues to Kansas. The budget battles will be over the size of the ending balance, tax cuts of some magnitude and restoring budget reductions for schools, social services and public safety.

The Governor's top priority is to reduce and eventually eliminate the income tax in Kansas. Both the House tax bill (House Substitute for *SB 177*) and the Senate tax bill (Senate Substitute for *HB 2177*) begin the process to reduce income rates. (You can read these bills and supplemental background notes by typing the italicized bill numbers into this site:

http://www.kslegislature.org/li/b2011_12/measure/bills/

The House tax bill has the elimination of sales tax on groceries. The Kansas Department of Revenue estimates that 15% of all sales tax is for groceries. That number is \$320 million but Kansas has a food sales tax rebate for lower income

households that costs \$43 million so the net loss in revenue to Kansas would be \$267 million. The Senate tax bill has the immediate elimination of 'non-wage' income for sole proprietorships, S-Corporations and Limited Liability Corporations at a cost of \$164 million in lost revenues to Kansas. Kansas would be unique in this tax cut. The big picture is that Kansas state and local tax revenue totaled \$12.407 Billion in 2011, which equated to \$4,339 per capita and 11.13 percent of Kansas' personal income. 32.3% came from property tax, 27.7% came from sales & use tax, 23.8% came from income tax, 3.5% from motor fuels and 13% from other taxes/fees. The income and privilege tax generated \$2.9 Billion in revenue. How will the income tax be replaced?

The House and the Senate have both debated bills on developing oversight of the Governor's KANCARE proposal. Medicaid covers 380,000 Kansans at a cost over \$3.4 Billion. The Kansas Legislature must appropriate the money for Medicaid but the Governor and executive branch has complete administrative control. The KANCARE plan will give three private managed care health companies a contract to serve Medicaid clients statewide starting 2013. The Governor's hope is that over five years \$850 million in savings can be found. These managed care plans will cover all elderly and disabled clients with both medical and independent living services. The existing independent living centers now serving the disabled are fighting to continue to provide the services they are presently providing without becoming part of these new managed care plans. It is uncertain where these Medicaid savings may come from? The Governor promises no reduction in eligibility or present services. These new managed care companies will have to monitor the health services of existing clients and prevent certain overuse of hospitals or prescriptions. Kansas has used managed care plans for children on Medicaid and HealthWave for several years but there have been no definitive cost saving studies done on these plans.

Redistricting battles go to the heart of our political system. These battles deal with survival or elimination of present lawmakers. These battles are over developing safe districts for one party or the other. These battles are over raw political power going forward for the next decade. The House finally settled on a Congressional map that kept Manhattan in the 2nd District and put all of Douglas County in the 2nd but split Shawnee County (Topeka) between the big 1st and the 2nd. The House made a few changes to its House district map and combined the Congressional map with the House district map in one bill. The Senate voted down this bill decisively as the House had voted down the Senate's congressional map that kept Shawnee County in the 2nd but moved Manhattan into the big 1st. The Senate is still struggling to draw a senate district map. The House is now saying they may be forced to draw a senate district map. Normally, the respective chambers draw their own maps without input from the other chamber. The Governor is publicly trying to interject his opinion into these redistricting maps. The Governor is demanding that 21 Republicans must vote for

the senate map to get his signature thus ignoring any input from the Democrats. Once the legislative maps are signed by the Governor, the Kansas Supreme Court must review these maps. Congressional maps must be challenged to get federal court review. The June 1 filing deadline for candidates may have to be pushed back to June 10 depending on when the Legislature can finalize action.