

Highlights from Johnson E-Report #16 by Dolores Furtado, President, LWV-K

Veto Session: Session continues without much progress.

Balanced Budget: To balance the budget requires that revenues equal expenditures. The Senate and House differ on the revenue side over the sales tax (to let it decrease to 5.7%, vote to increase, that is, remain 6.3% or somewhere in between not to mention sunset any increase or let it be forever). They also differ on eliminating income tax deductions (mortgage interest, property taxes etc.) OR elimination of refunds for tax credits for child care, sales tax refund on food for low income earners etc. Once agreement on projected revenues is attained, cuts in spending may have to be considered.

League members: Let your Representative and Senator know your thoughts on sales tax rates, income tax deductions/refunds and spending cuts?

School Finance: Once again the issue of suitable funding of K-12 by the Legislature is controversial and subject to Court review. The politics of this activity is more turbulent when you add the Governor's push to change the method for selecting Justices to the Supreme Court. He wants to be able to nominate with Senate confirmation instead of having the Nominating Commission provide 3 names from which the Governor selects an appointee.

The League's position is in support of merit selection by the Nominating Commission.

Rates for Electricity: Westar is seeking to increase residential rates and to reduce commercial rates by twice as much. The rationale in the request before the KCC is the latter will create jobs.

We need to ask if wages for all employees will be increased to pay for the more costly home electric bills.

Keep monitoring activities for any work in progress can suddenly surface for a vote and become law.

2013 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #16

May 11, 2013 – Paul Johnson

A TAX AND BUDGET STALEMATE

The Kansas legislative process has stalled. The hope to end the session in 80 days is gone. The Kansas House and the Kansas Senate cannot agree to a compromise tax package. A 2014 State budget cannot be finalized until the tax issue is settled. While the conference committees on tax and the budget made little if any progress since May 8, the real debate has moved to the Governor's office with the President of the Kansas Senate and the Speaker of the Kansas House. The rumor is that the legislative session may go through next week and continue the following week. Monday – May 13 – is the 80th day of the session and most legislative sessions go 90 days.

The tax agreement is the most difficult issue to resolve. The Kansas Senate passed the Governor's tax plan of making permanent the 6.3% state sales tax and limiting income

tax deductions by \$104 million. In 2016, the bottom -income tax bracket becomes 1.9% while in 2017 the top income tax bracket drops to 3.5%. By 2018, the Kansas budget will be down \$1 Billion in income taxes. The Kansas House tax plan allows the state sales tax to revert to 5.7% and does limit income tax deductions by \$108 million. The House plan lowers future income tax brackets only if state revenue increases by over 2%. This trigger makes it virtually impossible to restore the budget reductions made over the last five years. When Kansas experiences another recession and revenues drop 10% as happened from 2007 to 2010, the 2% cap would strangle any recovery for basic education and social services. Politically - Kansas Senators are not up for election till 2016 while House members must face the electorate in 2014. With 50 new members in the Kansas House, it is difficult to predict an outcome. Given what far right conservatives did in 2010 to defeat several moderate Senators, political fright is in the air with potential conservative political opponents in primary elections next year.

A 2014 State budget must be completed. A tax compromise may happen but it is not constitutionally mandated. As the session drags on the next two weeks, legislators wear down with fatigue. At some point, getting back home becomes the top priority. One possible solution is to split the difference on the sales tax – 6% instead of 6.3% - and time limit this increase to two years instead of making the increase permanent. A darker scenario is that no tax compromise is reached and the conservatives cut another \$200-\$300 million from the State budget so that a \$450 million ending balance is maintained. This magnitude of budget cuts would have to impact K-12 budgets and the Regents. Would the Governor have the political courage to veto such a draconian budget that broke his promise of protecting public education and the Regents? Would a special session be called to force the Kansas Legislature to pass his tax package? Are the Democrats willing to block a tax package with a sales tax increase and risk further damage to sacred education and social service programs? All Kansans will have a front row seat for this contentious, unpredictable political theatre.

SCHOOL FINANCE

The debate over school finance continues on. The Kansas Legislature took a pass on fundamentally changing education funding. The Kansas Supreme Court is preparing for an October hearing over a lawsuit on school finance. The 2014 State budget will be part of that discussion before the Court. The decision by the Court will have ramifications for future State budgets and could be a catalyst to change the selection of Kansas Supreme Court justices by constitutional amendment.

The Kansas Supreme Court has ruled that a 'suitable education' must be provided to public education students. The Kansas Legislature has defined 'suitable education' in

statue. There have been recommendations by the Governor and the Kansas Legislature to change the definition of 'suitable education' to work around the rulings of the Kansas Supreme Court but no such legislation has passed. The Kansas Constitution mandates in Article 6 that the Kansas Legislature 'make suitable provision for finance' of public schools. Under existing law, the Kansas Legislature has established the 'Base Student Aid per Pupil' at \$4,492 but - with budget cuts and reductions in taxes – the level today is \$3,838. The proposed 2014 State budget keeps the level at \$3,838 but Kansas is increasing payments into KPERS for school employees and the School District Capital Improvements Fund. There is legislation to allow school districts greater authority to move funds within several dedicated school district funding sources.

The Kansas Supreme Court will have to decide if the Kansas Legislature is making suitable provision for financing public schools. A District court in Shawnee County ruled that Kansas was not providing adequate financing. The Governor asked the Supreme Court to appoint mediators to find a compromise on school finance. The mediators met with the respective parties in this school funding lawsuit but no agreement was reached. The hearing before the Supreme Court will be early October. This lawsuit is not a continuance of earlier litigation so the Supreme Court will have a clean slate to define 'suitable education' and adequate financing. The District court ruled that Kansas must fund the base student aid at \$4,492 thus increasing school funding by over \$400 million. The District court derided the State for cutting income taxes instead of properly funding public education. The Kansas Supreme Court must now establish what constitutes the proper criterion (such as student test scores or ACT scores) for evaluating a 'suitable education' and adequate funding for that education.

THE FUTURE OF ELECTRICITY COSTS ?

Kansas tax policy is regressing toward a greater burden on sales and property tax. Are electric rates for residential and small businesses on the same course? Westar – the largest electric utility in Kansas – has filed for a \$31.7 million rate increase with the Kansas Corporation Commission. The kicker is that rates for residential and small business customers increase \$82.5 million while Westar proposes large decreases to medium/large commercial customers, schools and one large special contract customer. Westar believes this proposal to slash big business rates will attract more jobs to Kansas. Most of this rate increase will be used to repair the old, coal-fired La Cygne power plant. Westar will maintain the same 10% rate of return for its owners – great return in this 'low interest' economy. This rate case coincides with the opening of a general investigation by the KCC into 'rate design methodology' to decide allocation of costs among residential, commercial and industrial customers. The public hearings on

the Westar rate case may be announced next week. The public must respond to this unfair and outrageous rate request by Westar.

The Citizens' Utility Ratepayer Board represents residential and small commercial consumers before the KCC. CURB's April 2013 newsletter – CURBside News – has great articles on this Westar rate case and the proposed 'rate design' investigation proposed by the KCC. CURB fought the deregulation of AT&T that was signed into law in April. CURB has an article on the full impact of this law especially for rural customers. There is also an article on six Western Kansas rural electric cooperatives that own Mid Kansas Electric Company, LLC (MKEC) and the lack of KCC regulation over questionable electric service contracts. http://curb.kansas.gov/CURBside_1304.pdf

SENATE BILL 63 – ELECTION CRIMES & CAMPAIGN FINANCE ACT

This is the bill requested by the Secretary of State to prosecute election crimes along with creating and amending election crimes. Campaign finance issues have been added to this bill. The conference committee was unable to come to an agreement so a second conference committee has been appointed. With this website, you can read the bill and the supplemental note (SN) that explains all of the Senate and House changes. http://www.kslegislature.org/li/b2013_14/measures/sb63/