

Challenges for the 2013 State Legislative Session:

Last fall's election is already a distant memory. The conservatives have taken over the Kansas Legislature. The leaders of the Kansas Senate and Kansas House and committee chairs have been chosen, and the 2013 State Legislative session is underway.

With the passage of the mega-income tax cut bill last year, Kansas is well on its way toward what some call an "austerity experiment known as the red-state model". The Wall Street Journal recently (Feb. 4, 2013) reported that "Gov. Sam Brownback is aiming to up his profile by turning Kansas into what he calls Exhibit A for how sharp cuts in taxes and government spending can generate jobs, wean residents off public aide, and spur economic growth."

It is a gamble that will ultimately impact every state citizen, and if wrong, will dig a very deep hole for the state's future, and inflict pain and suffering on the poor and most vulnerable, the state's education system, the working and middle class, and perhaps on democracy itself.

At the heart of the changes is tax reform that ultimately aims to completely eliminate state income taxes. In order to balance the budget, spending cuts to programs and services, however they are phased in, are required. But on the other side of this chasm, according to the plan's proponents, is a pro-business environment that will lead to economic growth and jobs.

What happens to infrastructure, the state's ability to adapt to increasing water woes, the growing number of people needing state aide, and our education system, or the average working Kansans who will likely finding themselves picking up the tab, if said growth does not happen, is the BIG question.

Read on for more information on some of the issues KRC is monitoring this session. Paul Johnson, KRC Policy Analyst, is providing weekly E-Updates for supporters of KRC. You can sign up by contacting us at ksrc@rainbowtel.net.

The 2014-2015 State Budget

Following the passage of 2012's mega-income tax bill, the Governor made several key decisions for the 2013 budget to overcome the loss of this revenue. His budget proposes raising certain other taxes, increasing agency fees, cutting many state agency budgets by 10% and curtailing certain transfers to the state water plan, local governments and the Kansas Bioscience Authority. The Governor's plan is to completely eliminate individual and corporate income taxes over the next five years.

Facing a deficit of \$270 million for FY 2014 and promising to build a 7.5% ending balance of \$455 million, the Governor made the following revenue adjustments: maintaining the state sales tax at 6.3% instead of letting it decline to 5.7% on July 1 as written in law; eliminating the mortgage deduction on individual income taxes, raising \$162.5 million.

In addition, the Governor's tax plan proposed to suspend the transfer of \$27 million to local units of government to offset property taxes. The transfer of state funds to the Kansas Bioscience Authority will be \$10 million instead of \$35 million.

The Kansas Department of Transportation (KDOT) will take over the Kansas Turnpike Authority for a projected savings of \$15 million. The Economic Development Initiatives Fund-- lottery funded-- is swept of \$10.2 million so the transfer of \$2 million from lottery funds to the State Water Plan is terminated, and water programs will be cut amid the worst drought in recent history.

On February 11, the Governor's tax plan, or most of it, was passed out of the Senate Assessment and Taxation Committee to be taken up by the full Senate as this goes to press. The Committee endorsed Gov. Brown-back's plan to phase in a second round of individual income tax reductions over four years, as well as endorsed Brownback's repeal of the income tax deduction for the interest Kansans pay on home mortgages. They also agreed to cancel the sales tax decrease due to kick in July 1. However, the Senate rejected the proposal to eliminate a second income tax deduction on property taxes Kansans pay on homes. The House side may have more difficulty accepting the continuance of the higher sales tax.

Although a major part of the state budget, school funding remains uncertain. The District Court of Shawnee County has ruled that the Kansas Legislature is not funding schools at the mandated \$4,492 per student level. The Governor's budget maintains the funding level at \$3,838 for 2014 and \$3,852 for 2015 while increasing funding for the retirement costs of school employees. The Governor is asking for legislation to clarify the definition of 'suitable education' and take the courts out of funding decisions over public education.

On Wednesday February 13 and Thursday February 14, the Senate Judiciary committee will hold hearings on SCR 1608 - Constitutional amendment concerning school finance; suitable provision for finance determined by the legislature. Consensus is that time is running out to get such an amendment before the people in April elections. Also, the Governor has requested that the Kansas Supreme Court appoint a mediator to settle the above district court decision that ordered the State to spend \$440 million more on public schools to meet existing statutory requirements.

Water. The drought is focusing debate on water supplies for 2013 and beyond. Kansas House Agriculture and Natural Resources committee introduced House Bill (HB) 2031 that would change the funding of the State Water Plan Fund from fees and transfers to sales tax funding. It would eliminate certain chemical and fertilizer fees while moving the funding of the State Water Plan to a 'one tenth of one cent' sales tax. Since the Governor built a budget on a 6.3% state sales tax, would it be possible to add that .1%?

Given how the Kansas Legislature has reneged on past funding promises to the State Water Plan, how soon would this sales tax be taken for other needs? At least with fees on fertilizer, pesticides, sand dredging and municipal water use, it is politically easier to hold on to those dedicated funding sources.

The Kansas Department of Agriculture (KDA) has HB 2051 that expands local enhanced management areas, fine tunes multi-year flex accounts and develops limited transfer permitting of existing water rights to accelerate potential economic activity such as horizontal fracking for oil. Senate Bill 32 would reinstate the Local Environmental Protection Program that assists counties through grants to test private water wells and septic systems. Bids are now being taken by the Kansas Water Office to assess the cost of dredging some part of John Redmond Reservoir.

The State Water Plan Fund expenditures continue to decline from \$15.2 million in 2012 to a projected expenditure of only \$12.5 million in 2015. For many years, \$6 million was transferred from the State General Fund to the State Water Plan Fund but that was ended the last four years. And as stated earlier, two million dollars coming from 'lottery receipts' to the State Water Plan Fund stops for 2014.

Agriculture. KDA has proposed several bills that cover fees, water, dairy, animal health and agricultural growth. As State General Funds to KDA continue to decline, fees have to be increased to cover certain inspection and regulatory programs. This will apply to fees for milk tank truck inspections, petroleum inspection fees as well as to weight scales and scanners. A minimum fertilizer tonnage fee will be proposed. KDA wants to establish a fee structure system that allows the department to determine if and when a fee needs to be increased or decreased within statutory limits based upon funding needs.

Under agricultural growth, KDA proposes repealing existing corporate farming laws (SB 191) so county residents will have no opportunity to vote on corporate-owned confined animal feeding operations (CAFO's) KDA has also requested that the Attorney General review the constitutional legality of existing corporate farming laws.

KDA has also proposed legislation (SB 120) enacting a Kansas Farmers Market Promotion act, which will require farmers' markets to register with the state "for the purpose of encouraging and promoting farmers' markets."

Energy: Renewable Energy Standards. In 2009, Kansas enacted a renewable energy standard (RES) for the major Kansas' electric utilities. The RES requirement for 2012 was 10%, 15% by 2016 and 20% by 2020. SB 82 proposes to delay the 20% RES standard by two years. HB 2241 would delay the 15% standard for three years and eliminates the 20% standard all together.

Opponents of wind energy argue that wind energy is not reliable since no one can control the wind. Proponents argue that wind energy should be part of an energy portfolio and that wind energy through power purchase contracts is cheaper than natural gas powered peaking electricity.

By the end of 2013, Kansas will have more than 2,800 megawatts of installed wind energy at 19 wind farms equalling approximately \$7 Billion in investment since 2001. More than 13,000 jobs have been created by the wind industry since the first utility scale wind farm was built in Kansas in 2001. Kansas landowners receive \$13 million in

annual payments while counties receive more than \$10 million annually. The Kansas Corporation Commission has reported that the RPS has had a minimal impact on rates of less than 1.7%.

Utilities are signing power purchase agreements (PPA) and pay for only the wind power generated. Cost of these PPA's at a fixed cost for 20 years is \$35 per megawatt hour (MWh) while new natural gas is \$45.63/MWh. Infinity Wind Power has plans for 3,500 MW in western Kansas to export power to markets further east. If Kansas slows or eliminates the RPS several planned wind farms will not be built.

Immigration. Several bills were introduced at the recommendation of Kansas Secretary of State Kris Kobach, tireless advocate of immigration legislation whether state or federal. SB 48 would require public employers to verify citizenship status of all employees, using e-verify to check citizenship. SB 140 denies public benefits to immigrants, and HB 2192 would repeal in state tuition for undocumented aliens. While in the U.S. Senate, Gov. Brownback co-sponsored the "Dream Act" that allows undocumented high school students the opportunity at college or serving in the military as they progress towards citizenship. The Governor may well be forced to address this issue this year.

Other. Several bills this session appear to be aimed at reducing public input to the governing process, or at changing the playing field to provide advantages to certain interests. SB 109 would prohibit use of public funds for lobbying. This would prevent organizations like the Kansas Association of School Boards, and district employees from advocating positions on legislative matters. Proponents argue that public servants can provide information IF asked by the legislature. All of this is at the same time legislators are trying to change the way education is funded in the state.

HB 2023 would prohibit unions from utilizing paycheck deductions for political action, hampering membership to teachers and other public employee unions, and HB 2085 would restrict teacher negotiations on their contracts. Another bill would require all not-for-profit organizations that receive any public funds to report in detail how they used these funds. Organizations are currently required to report annually to the secretary or state how their funds are used but this bill takes the reporting to new levels.

Two concurrent resolutions (SCR 1601 and HCR 5002) would change the way Court of Appeals judges are selected. Currently the Kansas Supreme Court Selection Committee selects three nominees for the Governor to choose from. The change would allow the Governor to appoint the judges with Senate confirmation, moving the judicial system more toward partisan politics.

The above efforts to limit or restrict lobbying combined with the tax cuts that so far benefit higher income Kansans and corporations, have the chilling effect of restricting access to the governing process. Those impacted the most by this great experiment may find themselves without a voice at all.

Back issues of the 2013 Policy Watch Weekly E-Update with more information on the above are available on KRC's website at: www.kansasruralcenter.org