



2017 Legislative & Policy Watch Weekly E-Update

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About Policy Watch E-Updates

The Legislative and Policy Watch Weekly E-Update is a project of the Kansas Rural Center.

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Balancing the Kansas Budget

by Paul Johnson

The first order of business for the 2017 Kansas Legislature is to balance the 2017 State budget that ends on June 30. Presently this budget is over \$340 million in deficit. It is almost impossible to increase any taxes in 2017 to impact this imbalance. The choices come down to creative accounting tricks or cutting budgets decisively.

The Governor's office testified to the limitations on further budget cuts. 50% of the State budget is K-12 school funding that has been block granted and under scrutiny by the Kansas Supreme Court. 20% goes to KanCare (Medicaid funding) that is now under a 4% reduction and Kansas must get certain federal waivers for further cuts. The remaining 30% of the budget has taken over 8-10% in cuts as \$450 million has been reduced in 10 rounds of budget allocations.

The Governor proposes one-time internal borrowing that will have to be repaid over several years. The question is whether the Kansas Legislature will accept this solution?

This internal borrowing proposed by the Governor comes from the Pooled Money Invest Board's portfolio that is



The Kansas Natural Resource Council (KNRC)

promotes environmentally responsible practices and sustainable natural resource policies to ensure the quality and abundance of these resources for future generations. For more information about our organization and programs, or how to become a member, please visit knrc.weebly.com



Audubon of Kansas (AOK) is a statewide non-profit organization established to promote appreciation and stewardship of Kansas' natural ecosystems, with special emphasis on conservation of prairies, birds, other wildlife, and habitat. For more information go to www.audubonofkansas.org



Kansas Association of Regional Development Organizations, Inc. (KARDO) is a statewide, non-profit organization established to improve the ability of both organizations and individuals engaged in regional planning and development to service the needs of all parts of Kansas in an effective and efficient manner. For more information about our organization and programs, and to become a member or donate, please visit <http://kardo.ncrpc.org>.

'idle funds' that are not immediately spent or encumbered. Currently, this portfolio is invested in overnight, high-grade commercial paper with a weighted maturity of less than 30 days. The 2000 Legislature authorized the State Treasurer to invest a portion of this portfolio in equities and long-term bonds. The State receives unclaimed property annually but pays out a sum around one-half of this yearly unclaimed property. This annual difference is in the range of \$20 million so that is the sum paid into this longer term portfolio.

Over the years, \$317 million has been transferred to this special portfolio that has provided \$114 million in revenue to the State General Fund (SGF). Since December, this special \$317 million portfolio has been liquidated by selling the equities and bonds with a gain of \$46.5 million for a total possible transfer to the SGF of \$363.5 million as of January 13.

Kansas State Treasurer Ron Estes does not endorse the Governor's proposal of moving this \$365.5 million to the SGF and repaying the \$317 million base amount back over seven years with annual payments of \$45 million. The Kansas Legislature will have to pass legislation to allow this loan to happen. The regular PMIB portfolio is close to \$2 Billion comprised of idle funds from the State (\$583 million), Kansas Department of Transportation (\$300+ million) and city/county/school funds (\$900+ million).

To handle cash flow cycles in the State budget, the Governor and legislators issue 'certificates of indebtedness' that move money from this portfolio within a fiscal year that must be repaid at the end of the fiscal year. For the 2017 fiscal year, a \$900 million 'certificate of indebtedness' was issued that must be repaid by June 30. In the past these certificates were in the \$400-500 million range but Kansas still had an ending balance to supplement cash flow.



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www.kansasfarmersunion.com



League of Women Voters of Kansas is a grassroots volunteer political organization with nine local chapters across Ks.. For nearly 100 years, LWVK has encouraged the informed and active participation of citizens in government. For more information, contact lwvk.org

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Kansas has no ending balance now to cushion the uncertain monthly revenue collections that have been mostly negative for over two years. In essence - to pay existing operating costs Kansas is taking out a seven year loan. Legislators are not thrilled but this bad choice is preferable to the worse damage of further cuts.

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School Funding Future

In the midst of the budget and revenue crisis facing Kansas, writing and funding a new school funding formula seems very daunting. On the Senate side, the task will fall primarily to the Senate Education committee. The plan is to take their time, consider several proposals and complete the task within the committee before passing any legislation.

The House has divided the task between a new K-12 Education Budget committee and the standard House Education committee. The K-12 Education Budget committee will probably write the basic funding formula while the House Education committee will focus on non-funding issues such as teacher tenure, curriculum and administrative tasks. As always, this debate will come down to money and timing. Will the budget battles define the dollar amount available for public education and a new funding formula devised around that amount? Or will a new school funding formula be fashioned first that mandates certain revenues be raised?

A decision on the 'adequacy' of school funding by the Kansas Supreme Court could well impact this whole

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debate. The Governor has proposed no specific funding formula and he flat lined funding for 2018 and 2019 while forcing schools to buy joint health insurance and buy certain items such as fuel, electricity, food and maintenance through a state purchase pool.

The Kansas Legislative Post Audit (LPA) has been auditing overall school funding as well as specific school districts for several years. Reviewing a 2006 report in anticipation of a new funding formula, LPA told legislators that research indicated that the low enrollment weighting (for smaller school districts) under the old school finance formula appeared to be higher than justified by actual costs but the Legislature made no changes. The 2006 report found that funding for at-risk (poor) students should be significantly higher and the Legislature adopted this recommendation. The 2006 study found a significant, almost one-to-one correlation between increased funding and higher academic results, based on five years of Kansas school district data prior to 2006.

In December, LPA released an audit evaluating the costs and benefits associated with K-12 Federal Education Funding. Kansas received \$507 million in 2015-16 accounting for 8% of the total funding school districts received. The federal government has tied funding to national education initiatives such as 'No Child Left Behind'. While federal funding is adequate for special education funding, it imposes certain operational costs on school districts through its increased nutritional standards in the National School Lunch Program. School officials overwhelmingly told LPA the benefits are worth the costs and obligations.

LPA conducts annually three specific school district audits. The school districts are small, medium and large in size. School districts can volunteer for an audit and many do but if not, a lottery drawing is held to select a district of a certain size. All of these audits and reports can be viewed at the LPA's website www.kslpa.org.

(Editor's note: Mark Tallman from the Kansas Association of School Boards produces a weekly webinar during the legislative session usually at 12:30 pm on Fridays. Mark covers school finance and educational matters in great detail and clarity. The public is welcome to watch the live webinar. These webinars are archived for later viewing.



The website is www.kasb.org. Click on advocacy at the top of the home page and you will see webinars in the drop box. The webinars are titled and listed by date presented.)

State Water Plan

The legislative debate over the State Water Plan (SWP) and funding such programs will begin this coming week before the Senate Agriculture & Natural Resources committee and the House Water & Environment committee when the Kansas Water Authority presents their annual report. The Governor proposed no increase in funding for the SWP and continues to spend down the ending balance so a \$13 million SWP falls to \$11.5 million in 2019.

The Governor's Blue Ribbon Task Force on Water has proposed dedicating 1/10th of 1 cent of the existing sales tax to the SWP raising \$45 million annually. This effort would be pursued through a constitutional amendment as done in a few other states.

The Kansas Geological Survey (KGS) gave testimony to the House Water & Environment Committee last week on their work in monitoring groundwater in Western Kansas and possibly along the Kansas River. The High Plains aquifer - that includes the Ogallala - supplies 70-80% of the water used by Kansans each day. Aquifer models have been developed for each of the Groundwater Management Districts (GMD's) to assess the aquifer response to future pumping and climatic stresses.

In January, KGS measures over 1,400 water wells in the High Plains aquifer. Currently, the KGS has insufficient information to reliably assess how water levels in the aquifer of the Kansas River will respond to an increase in pumping. Management of groundwater storage in this aquifer in conjunction with management of reservoir system storage requires this information. KGS estimates it will take \$250,000 to install and monitor 7-10 wells on the Kansas River from Manhattan to Kansas City. There also needs to be the development of a Groundwater Model for the Kansas River Alluvial Aquifer and updated every 5 years.

Election Law Battles

Several election bills have been proposed. HB 2020 - that is supported by the League of Women Voters of Kansas - would establish election-day voter registration in Kansas as exists in 13 other states. This bill has been assigned to the House Elections committee but has not yet been scheduled for a hearing. HB 2014 would strip the Kansas Secretary of State of powers to prosecute election law violations and leave that power with local officials. This bill has been referred to House Judiciary committee but not yet set for a hearing. The Kansas Secretary of State has requested SB 37 and HB 2075 to separate state and federal election ballots if a voter has not provided proof of citizenship. Without such proof, a voter could only vote a federal ballot. HB 2017 has now passed the legislature and been signed by the Governor. This bill lengthens to 90 days the time to set an election for a

Congressional race. It lowers from 17,000 to 3,000 the number of signatures required to put an independent candidate on this ballot.

Filed Legislation

52 bills have now been filed in the Senate and 121 bills filed in the House. Medicaid (KanCare) expansion can be found in SB 38 and HB 2064. The 2017 Kansas budget rescission bills are SB 27 and HB 2052. SB 49 would establish election-day registration. HB 2113 would restrict concealed carry on college campuses and HB 2114 would restrict concealed carry in community mental health centers. SB 31 deals with the rehabilitation of abandoned property by cities. All of these bills can be viewed at the Kansas Legislature's website www.kansaslegislature.org.

Community Tax Credit Program

Since 1994, the Kansas Community Service Program has given nonprofit organizations a way to improve their ability to undertake major capital fund-raising drives for various projects. This year \$3.6 million of tax credit has been allocated and will be awarded to selected nonprofit organizations to offer Kansas tax credits for contributions made to approved projects. Projects eligible for tax credit awards include community service, crime prevention, health care, and youth technical training. Tax credit awards are distributed through a competitive application process. \$250,000 is the maximum limit. Applicant organizations in rural areas (under 15,000 in population) are eligible for a 70% credit while non-rural areas are eligible for a 50% credit. This program is housed at the Kansas Department of Commerce. <www.kansascommerce.com/index.aspx?NID=117> The Governor has proposed to eliminate this program for 2018 and 2019.

Week of January 23-27, 2017

House Appropriations: Thursday January 26 at 9:00 am in RM 112-N: HB 2052 - Appropriation revisions for FY 2017, FY 2018 and FY 2019 for various state agencies.

House Agriculture: Tuesday January 24 at 3:30 pm in RM 582-N: Kansas Water Authority Annual Report by Chairman Gary Harshberger.

House Taxation: Monday January 23 at 3:30 pm in RM 346-S: Informational briefing: Sales Tax Briefing

Senate Agriculture & Natural Resources: Tuesday January 24 at 8:30 am in RM 159-S: Annual report of Kansas Water Authority by Chairman Gary Harshberger.

Senate Ethics, Elections and Local Government: Thursday January 26 at 9:30 am in RM 159-S: Hearing on **SB 31** - Rehabilitation of abandoned property by cities.

Senate Education: Monday January 23 at 1:30 pm in RM 144-S: Scott Frank, Legislative Post Audit Overview

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Contributors to KRC are automatically on the Policy Watch list, if they provide an e-mail address; or you can subscribe just for the Updates for \$25. KRC will send complimentary copies to non-contributors for several issues upon request. To get information on how to support Policy Watch,, click [HERE](#).

In 2017, KRC is partnering with the **Kansas Natural Resource Council (KNRC)**, **Audubon of Kansas (AOK)**, **Kansas Association of Regional Development Organizations (KARDO)**, **Kansas Farmers Union (KFU)**, and **League of Women Voters of Kansas (LWVK)** to send Policy Watch to their members. We thank them for their support.

In addition, the following organizations are supporting KRC's Policy Watch as Friends of Policy Watch: **Women for Kansas and Flint Hills Renewable Energy and Efficiency Cooperative**.

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If you are receiving Policy Watch because you are an Audubon of Ks. member or want more information about AOK, or to be removed you need to contact Monica Goss at monica.goss@audubonofkansas.org.

If a member of KNRC, contact Zack Pistora at zackpistora@gmail.com

If a member of KARDO, contact John Cyr at jeyr@nckcn.com

If a member of KFU contact Mercedes Taylor-Puckett at kfu.mercedes@gmail.com.

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