



## 2017 Legislative & Policy Watch Weekly E-Update

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### Decision Time Is Here

by Paul Johnson

The revenue debate avoidance is now over. The regular legislative session ended on April 7 and the final veto session begins on Monday, May 1. After cobbling together a 2017 State budget that was balanced with a one-time loan of 'idle funds' (that must be repaid), the 2018 and 2019 State budgets are \$900 million in deficit before any consideration of additional funding for public schools.

### 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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The new Consensus Estimate Group projections developed on April 24 increased new tax revenues by a total of only \$156.4 million over 2017, 2018 and 2019. The economic development miracle predicted from the massive income tax cuts of 2012/2013 has yet to materialize. The choices are now stark: new revenues - that must raise at least \$1.2 Billion over two years - or further drastic cuts to education, social services, transportation and public safety.

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The Consensus Estimate Group increased income tax receipts by 2.5% in 2017 over 2016, 1.7% in 2018 over 2017, and 1.3% in 2019 over 2018. In the 1990's and 2000's, individual income tax increases were in the 4-5% range. For the sales tax, the increase is a negative (0.1)% for 2017, 0.6% in 2018, and 0.9% in 2019.

New economic growth, generated by the tax cuts, was expected to substantially increase the sales tax revenues especially at this time when gasoline is cheaper. The individual income tax and the retail sales tax comprise over 80% of the funding for the State General Fund (SGF) that is the primary funding source for state programs and public education. In 2016, the SGF was \$6.073 Billion.

economically viable, and socially just agriculture. For more information about KRC go to [www.kansasruralcenter.org](http://www.kansasruralcenter.org).



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**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](http://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

For 2017, the SGF increases to \$6.289 Billion with \$62 million in new taxes and \$247 million in transfers from highway funds, lower KPERS payments and the 'idle funds' loan. For 2018, the SGF falls to \$5.788 Billion and in 2019 falls to \$5.564 Billion before the raiding of the highway fund, freezing the KPERS payments and foregoing the statutory transfers to local governments and the state water plan begins.

The prayer and hope of magical revenue increases from the Consensus Estimating Group has come and gone so the heavy lifting to fix this mess starts May 1.

The Kansas Senate has passed a 2018 and 2019 budget that is several hundred million in debt without new revenues. The Senate's budget includes no new money for public schools and freezes the KPERS payments at 2016 levels. This budget transfers as much as it can from the highway fund. The Kansas House has yet to have a full floor debate on the 2018 and 2019 budget.

The House Appropriations committee proposed budget has no new funding for public schools and waits for the final Omnibus bill to decide on the payments to KPERS. There is no increase for state employee salaries, which have not been increased since 2008.

There is also the debate over concealed carry at the four State hospitals. Without an extended exemption from the law, it will cost \$1 million for metal detectors and \$11.7 million annually to hire 192 guards while these hospitals have serious staff shortages and mandatory overtime for most staff. This budget debate for the House will likely be delayed until a resolution to the revenue picture has been reached so everyone knows what resources are available and spending priorities established.

The revenue debate flails along. The Governor's proposed flat tax was soundly trounced in the Senate. Now comes the process of comparing numerous tax proposals and counting caucus votes on what can pass.

The Senate Majority Leader is proposing a \$3 fee on residential electric, natural gas and water bills along with a \$10 fee on commercial bills to raise \$150 million annually for public schools. There are a few bills to raise the fuel tax by 5 to 11 cents per gallon dedicated to the highway fund. There is yet to be the discussion on raising the 20 mills of property tax for schools but it will be thrown into the mix.

manner. For more information about our organization and programs, and to become a member or donate, please visit <http://kardo.ncrpc.org>.



**Kansas Farmers Union** is the state's oldest active farm organization working to protect and enhance the economic interests & quality of life for family farmers, ranchers & rural communities. For more information go to: [www.kansasfarmersunion.com](http://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](http://lwvk.org).



**Women for Kansas** is a grassroots initiative of like minded women whose mission is to return moderation to the Statehouse. Eleven chapters around the state welcome you. For more information go to <http://womenforkansas.org>

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\* **Flint Hills Renewable Energy & Efficiency Cooperative**  
[fhrec.org/](http://fhrec.org/)

Revisiting the income tax proposal that the Governor vetoed is the starting point for the tax debate. If this income tax - with a third higher bracket and elimination of the the non-wage business income loophole - does not start till 2018, funding the 2018 budget will be especially challenging. Hopefully there will be no debate on further increasing the sales tax. The Governor's proposal to securitize the tobacco settlement to balance 2018 and 2019 has had no traction so far but desperate lawmakers and the inability to override another veto might change that debate.

While there are a number of bills still in conference committees that involve a few legislators, there will be several days open for full floor debates for most of the members. How closely will the revenue and budget debate in the public's eye be controlled by legislative leadership and how many backroom deals will be forced on the members? The future quality of life for Kansas is at stake.

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### **Kansas Utility Law Crossroads**

The Kansas Corporation Commission (KCC) sits at the crossroads deciding the future of energy regulation for years to come. The KCC - which regulates investor-owned electric and natural gas companies - has three key investigations that will shape the cost and delivery of these vital utility services.

The first investigation deals with the merger of the largest electric utility in Kansas - Westar. The second investigation deals with the regulation of energy efficiency programs offered by monopoly utility companies. The third investigation deals with 'distributed energy' customers (solar & wind) and the appropriate arrangement established with the utility. These three investigations and the decisions made by the KCC will determine a certain regulated energy future for Kansas.

In the first investigation, the KCC has just ruled against the takeover of Westar by Great Plains Energy (owner of Kansas City Power & Light). The KCC ruled that the takeover was too burdensome for Great Plains, that the 'bond rating' agencies were negative and that the purported efficiency savings of combining the two utilities

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were overstated. There is no question that Westar is up for sale.

Which other 'out-of-state' utility or speculative investor group will now take over the largest electric utility (650,000 accounts) in Kansas? Will it be just an investment gamble that captive Kansas electric customers will be forced to endure? Does Westar have to remain an investor-owned electric utility or could it transition to a cooperatively-owned utility truly controlled by the customers served with the profits circulated in Kansas as opposed to New York? Is the KCC or the Kansas Legislature capable of having this debate?

The second investigation is at the request of Kansas City Power & Light to initiate energy efficiency programs for residential and commercial customers - similar to the \$60 million in such programs they have in Missouri. The KCC will make decisions on how such programs are funded by KCP&L ratepayers.

Kansas ranks virtually last of all 50 states in having utility or government-based energy conservation programs. Energy efficiency is by far the cheapest electricity option compared to coal, natural gas or nuclear power production. By utility law in Kansas, a regulated utility is required to provide the most 'efficient and sufficient' service in exchange for their monopoly status.

The KCC has never researched and defined what 'efficient' service means in the 21st century. This investigation needs to be the start of defining efficiency (insulated properties, efficient appliances, motors, air conditioners, co-generation options) and instituting cost-effective programs to lower utility bills and compensate the utilities accordingly.

The third investigation may well decide the future of distributed energy options for those customers who generate power and are connected to the electric utility grid. The KCC will take testimony on the appropriate costs a solar customer should pay to be connected to the grid.

The first issue entails what the electric utility should pay for extra power produced by the solar customer? This customer must buy at the retail electric rate (10-14 cents/kwh). The utility wants to buy any extra power at a wholesale rate that is around 2-5 cents/kwh. Solar panels produce power in the summer at peak times when the cost for the utilities is the most expensive so should

wholesale rates reflect that savings to the utility?

The second issue is the monthly customer charge that all customers pay. Some utilities have proposed much higher monthly charges for solar customers. The solar industry is expanding in Kansas. Financing options with local lenders are making it more economically feasible for homeowners. This expansion could be clouded by the KCC if electric rates paid for solar electricity are too low and a higher monthly customer charge is established. This KCC decision probably comes next year.

### **Legislative Notes**

The Kansas Legislative Research Department has now issued two summaries of legislation passed by the 2017 Kansas Legislature. The 'Preliminary Summary of Legislation - 2017 Kansas Legislature' came out on April 3, 2017. The 'Supplement to Preliminary Summary of Legislation - 2017 Kansas Legislature' came out on April 12, 2017. The table of contents has the legislation listed by topic from agriculture to ethics to health to taxation to transportation, etc. Bills vetoed by the Governor are included. Look under Recent Publications on this website: <http://www.kslegresearch.org/KLRD-web/Policy.html>.

### **Federal Farm Bill News**

#### ***New Secretary of Agriculture Confirmed - Ten Things Secretary Purdue Can Do NOW to support Family Farmers***

*April 26, 2017 From National Sustainable Agriculture Coalition*

On his first day on the job, Sonny Perdue - a former two-term governor and the U.S. Department of Agriculture's (USDA) long-awaited new Secretary - addressed two very important audiences. The first, a formal introduction to USDA staff, was an opportunity for the Secretary to lay out his general vision for the department's next four years.

The second address was in a meeting with President Trump and 15 agricultural producers from around the country. The group was made up of mostly large-scale meat, dairy, grain, and specialty crop producers, as well as the current North Carolina Commissioner of

Agriculture, Iowa Secretary of Agriculture, and former California Secretary of Food and Agriculture. Immediately following the meeting, the President signed a new Executive Order establishing an inter-agency Task Force on Promoting Agriculture and Rural Prosperity in America.


The Task Force, which Secretary Perdue will lead, is charged with studying the struggles of rural Americans and identifying "legislative, regulatory, and policy changes to promote in rural America agriculture, economic development, job growth, infrastructure improvements, technological innovation, energy security, and quality of life."

In Perdue's first two major outings we can already see signs of the push-pull that will no doubt influence this Administration's work on agriculture. On the one hand, the Secretary has pledged to support the diversity of American agriculture, including small, mid-sized, and organic family farms as well as young and beginning farmers and the growing local/regional food industry. He has also repeatedly made statements indicating that land stewardship and natural resource conservation would be cornerstones of his tenure.

On the other hand, the President and Secretary have surrounded themselves almost exclusively with large-scale, industrial commodity farm and business owners, have yet to offer substantive details about how they will address the growing economic crisis in agriculture, and have proposed huge budget cuts to programs that assist farmers and rural businesses and communities. If Secretary Perdue truly wishes to be a champion for the breadth and diversity that is the American agricultural community, there are 10 things that he should take leadership on right away:

1. Finalize the Farmer Fair Practices Rules and issue a plan for enforcement
2. Protect family farmers rural communities by rejecting the President's proposed cuts to USDA
3. Protect working lands conservation programs and conservation technical assistance
4. Create opportunities for the next generation of farmers and ranchers
5. Create jobs and spur industry growth by expanding local and regional food infrastructure
6. Strengthen food security and climate resilience by





scaling up and strengthening agricultural research programs

7. Issue overdue Requests for Applications immediately
8. Focus on substantive improvements to programs and policies, not on reshuffling USDA to make room for a new Undersecretary
9. Expand low-income families' access to fresh, local food
10. Ensure that Food Safety Modernization Act regulations are helping, not hurting, small and mid-sized family farm operations

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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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