

Legislative Update- 1/29/12

Kansas legislators signaled by might be more inclined to design their own “legislative roadmap” as more details of the Governor’s major proposals were unveiled this week. Legislators from all political persuasions have honed in on various elements of the ambitious agenda laid out by the Governor, finding elements in each of the major initiatives that they can’t accept. Even legislators who otherwise strongly support the Governor have expressed opposition to proposals ranking from the overhaul of our state’s tax proposal to the redesigning of a formula to fund public education. Here’s a news story that circulated at the statehouse, igniting discussions about the political implications of the ambitious agenda.

In Kansas, Governor Sam Brownback drives a rightward shift

<http://www.stateline.org/live/details/story?contentId=627000>

Legislators know the devil is always in the details and have been eager to get the governor’s plans in bill form so they could begin to understand the various elements. However, many of those proposals have yet to reach lawmakers in bill form. The Governor’s tax proposal, KPERS plan and school finance proposal were all described to lawmakers this week, meaning various bill drafts will appear in the coming days and weeks. When those bills reach lawmakers, the real work of examining and reshaping the proposals will begin in earnest.

The House took action this week on a couple minor bills, casting their first votes of the 2012 Legislative session. The Senate continued its work, approving additional appointments by the Governor. However, the bulk of the work remains in the legislative committees. All committees have ramped up their schedules, hearing bills carried over from last year and scheduling hearings on bills that have been recently introduced. Several committees have actually passed out bills and they await action by the full chambers.

Tax Discussions Going in Varsity of Directions

Tax discussions were in full swing this week as policy analysts work to estimate what the various tax plans will cost.

The Governor’s tax plan was introduced and is now in bill form.

HB 2560

http://www.kslegislature.org/li/b2011_12/measures/documents/hb2560_00_0000.pdf

SB 339

http://www.kslegislature.org/li/b2011_12/measures/documents/sb339_00_0000.pdf

The House GOP Leadership Tax proposal is still being reviewed in terms of how much money they are targeting for the tax cuts. It is generally understood that the measure will have a price

tag of between \$160-\$180 million each year. However, an actual draft of that bill won't be available until sometime next week.

Other tax proposals still under review from last year include:

House Substitute for Senate Bill 1

http://www.kslegislature.org/li/b2011_12/measures/documents/sb1_04_0000.pdf

Senate Bill 98- This proposal came from Senator Dick Kelsey. The link will take you to the original form of the bill. However, he has decided to make a number of changes to it, which he hopes to make available next week.

http://www.kslegislature.org/li/b2011_12/measures/documents/sb98_00_0000.pdf

In addition, the Senate Tax Policy Study Group finished its work Friday with a discussion of the numerous tax proposals and the items they hope to see the Senate Tax Committee look at as they review the tax bills. All of these suggestions will be put in a report and presented to the Senate Tax Committee. Highlights of the report will be:

- Looking at how surrounding states tax out-of-state royalties. Many states take 20% off the top and Kansas doesn't.
- Review how surrounding states charge taxes to performers such as musicians and professional athletes.
- Maintain the PEAK Program as it is.
- Encourage C Corps to locate in Kansas by moving to a single factor sales formula
- Encourage S Corps and LLC's to locate in Kansas by eliminating the income tax on most small business income.
- Look at the possibility of become a state that focuses on certain job sectors such as Biosciences.
- Make capital available to new businesses by using a fund that replenishes itself by success.
- Look closely at the 2% cap, as many cities and counties are very concerned about the implications the Governor's plan would have on local government.
- Look at a proposal that would tax personal property coming into the state, which is a large tax gap for Kansas

In addition, the committee was eager to learn about the single factor sales formula that other states use. Kansas' current formula to determine income tax for a business is the percentage of payroll in the state times the percentage of property in the state times the percentage of sales in the state divided by three. The single factor sales formula would only factor the percentage of sales in the state rather than combining the three. Richard Cram with the Department of

Revenue said another formula that is becoming increasingly popular is the double weighted formula where the percentage of payroll, the percentage of property and the percentage of sales within the state is calculated, but the percentage of sales is doubled.

Tax Committee Chairman Les Donovan, R-Wichita, vowed that all of the proposals will be reviewed as the Senate Tax Committee members work on tax proposals for the remainder of the session.

FY 2013 Budget

Next week both the Senate Ways and Means Committee and the House Appropriations Committee are scheduled to dive into the governor's supplemental appropriations bill for FY 2012 and FY 2013. (HB 2493 and SB 311). The Senate Ways and Means Committee will also hold a hearing on SB 294 which contains the recommended payments for those claims against the state. The governor's budget can be found at: <http://budget.ks.gov/>

KPERS -- New Leadership

The future reform proposals for KPERS may still be unknown, but the new director has been chosen. Alan Conroy who has worked in the Kansas Legislative Research Department for 30 years, will leave his post as director there to become the new director of the Kansas Public Employees Retirement System. Conroy has served as director of Legislative Research since 2002.

The KPERS Select Committee will continue to meet next week and review proposals and look at ways to fill the \$8 billion shortfall. A bill has been introduced, but it could be late next week before the committee has a draft to work with.

The final report from the KPERS Study Commission can be found:

<http://skyways.lib.ks.us/ksleg/KLRD/2011CommRepts/kpers-study-commission-cr.pdf>

Medicaid Reform – The Plan that No one Likes but Cannot Change

Vetting of the Governor's Medicaid Reform plan continued this week by the Senate Public Health and Welfare Committee. They heard from advocates of Kansans with developmental disabilities and the overwhelming message was that the governor's plan is an "unproven gamble." As a result of these hearings Senator Dick Kelsey urged the Governor to delay his proposal.

Republican legislator seeks delay of governor's Medicaid plan

<http://wellcommons.com/groups/nosurance/2012/jan/23/republican-legislator-seeks-delay-of-gov/>

When the Governor first laid out his Medicaid Reform plan, he spoke of a Medicaid to Work program, also known as an “off ramp”. The House Appropriations Committee took their first look at this piece of the proposal, by holding a hearing on HB 2442. The bill encourages the hiring of individuals with developmental and physical disabilities by companies that contract with the state of Kansas through the Director of Purchasing. It also provides cash incentives for businesses that hire people with disabilities who are currently receiving state services.

You can read the executive summary of the proposal at:

http://www.kdheks.gov/hcf/medicaid_reform_forum/download/KanCare_Executive_Summary.pdf

Since the start of the Brownback administration, there has been much criticism over the leadership in the Department of Social and Rehabilitation Services. This week Pedro Moreno, deputy secretary for disability and behavioral health services resigned. This follows the resignation of SRS Secretary Rob Siedlecki back in December. Moreno was one of several state employees from Florida brought to Kansas by Governor Sam Brownback

SRS official Pedro Moreno resigns

<http://wellcommons.com/groups/wellness/2012/jan/24/srs-official-pedro-moreno-resigns-monday/>

School Finance Details receive Lukewarm Legislative Reaction

This week the Governor introduced his school finance plan in both the House and Senate Education Committees, with a presentation from Landon Fulmer, the Governor’s Policy Director. The ink was barely dry on the outline of the proposal before it ran into choppy waters from legislators who are otherwise very strong Brownback supporters at the statehouse.

Drawing a great deal of criticism was a new provision to evaluate teachers, partially based on student achievement and have those rankings posted on the internet. The provision also includes providing \$5,000 bonuses to teachers who are rated highly effective.

Brownback’s plan to post teachers’ rankings causes outcry; GOP senator describes plan as ‘toxic’

<http://www2.ljworld.com/news/2012/jan/26/gov-brownbacks-plan-post-teachers-rankings-causes-/>

For additional information on the school finance proposal:

<https://governor.ks.gov/docs/2012-legislative-agenda/school-funding-formula-summary-final.pdf>

Kansas Bioscience Authority – Audit generates lots of drama but few suggestions for reform

Monday, the Kansas Bioscience Authority presented to its board the findings of a forensic audit ordered by Governor Brownback nearly a year ago. Later in the week in a joint meeting of the Senate Commerce and the Commerce and Economic Development Committees, legislators had the opportunity to question the auditor, James Snyder, BKD LLP and the following day, Secretary Dale Rodman who was tasked with overseeing the audit for the administration. The first day of questioning led people to the mistakes made by the CEO Tom Thornton, but after auditing the KBA, Mr. Snyder indicated that the KBA was a “good steward of state resources.”

KBA external audit rips Thornton, agency

<http://cjonline.com/news/2012-01-23/kba-external-audit-rips-thornton-agency>

Some legislators seemed to be unhappy or disappointed in the audit results, but it was clear in Secretary Rodman ‘s testimony that the administration was a part of the audit every step of the way from writing the scope statement, to going through drafts of what would be the final report.

Brownback staff had significant role in KBA audit

<http://www2.ijworld.com/news/2012/jan/25/brownback-staff-had-significant-role-kba-audit/>

The Governor put a hold on \$22 million dollars that was by law to be transferred to the KBA until the results of the audit. Now, Governor Brownback has suggested a moratorium on new KBA spending until the legislature determines whether there should be new management at the KBA. Many legislators found this troubling as no findings in the audit suggested such drastic actions. The KBA Board has responded by reaffirming its intentions to continue investing in proposals central to its mission of supporting the development of the biosciences in Kansas.

Brownback blocks \$22M in state aid to KBA

<http://cjonline.com/news/2012-01-24/brownback-blocks-22m-state-aid-kba>

The cost of the audit was almost \$1 million dollars, which resulted in the KBA being reimbursed for \$4,700 in unauthorized expenditures discovered in the lengthy examination. The audit found no areas where funds were unaccounted for or otherwise diverted from the core mission of the KBA.

Redistricting Puzzle Still being Worked

The congressional map released last week by the Senate Redistricting Committee received much criticism from Speaker of the House and Chairman of the House Redistricting committee, Mike O'Neal. Those concerns focused on keeping all of southeast Kansas in one district, and keeping the Manhattan community in the second district. In response to those concerns, Chairman Senator Tim Owens unveiled a second congressional map this week. It was met with less than enthusiastic reviews, as it may address the Speaker's concerns, but it divides Sedgwick County, eliminating almost all possibilities of getting any of the Sedgwick County delegation votes for the map.

Those maps can both be found on the redistricting website:

<http://redistricting.ks.gov/>

Chairman Owens reiterated his desire to get both the congressional map and the senate map done by February 24. As a result, the Senate Redistricting Committee plans to increase its meetings to three days a week, meeting Monday, Wednesday and Friday at noon. They will not address the senate map until the congressional map is complete. The House Redistricting Committee is also scheduled to meet next Monday to begin work on their maps.

Liquor bills – The Legacy of Carrie Nation Lives on

The battle between liquor stores and grocery stores -- who sells what and where-- will inevitably take place again this year. However, until that bill comes up for debate the Senate Federal and State Affairs committee has taken a look at a number of other liquor issues. The committee has held a hearing on a measure legalizing wine tastings in liquor stores and another bill that extends the length of time a special event permit can be issued. A number of other minor liquor bills have been brought by the division of Alcoholic Beverage Control, which are likely to be taken up in committee next week.

Concealed Carry Measure would Permit more Weapons in Public Buildings including College Dorms and classrooms

The House Federal and State Affairs committee held two days of hearings on HB 2353, concerning amendments to the personal and family protection act. This measure was brought forth by Rep. Forrest Knox, who tried a similar proposal two years ago. The bill would allow concealed carry permit holders to carry in places such as government buildings, hospitals and college campuses unless those buildings have a level of security adequate enough to ensure a gun isn't carried in. This means they would need to provide metal detectors and guards at all public entrances. Many on both sides of the issue came to testify and despite efforts by the opposition, the dynamics of the committee seemed to be stacked in the proponents' favor.

Kansas legislators hear debate of guns on campus

<http://www.kansas.com/2012/01/26/2192137/kansas-legislators-hear-debate.html>

Food Stamp Policy raises concerns

The Governor announced this week an update on a SRS policy that has taken food stamps from low-income children who are U.S. citizens but whose parents are illegal immigrants. The law does not allow for illegal immigrants to qualify for food stamps, but U.S. born children of illegal immigrants are eligible. Although, the governor has asked for an update, he says he does not propose any changes. This has outraged legislators and others who asked for a legislative review of the policy.

Kansas slashes food aid for children of illegal immigrants

<http://www.kansascity.com/2012/01/21/3384400/kansas-slashes-food-aid-for-children.html>

Kansas lawmakers to review state's food-stamp policy

<http://www.kansascity.com/2012/01/25/3392159/lawmakers-to-review-food-stamp.html>

A Look Ahead...

Next week will be a big week for all things gaming. The Senate Federal and State Affairs Committee will hold hearings Tuesday and Wednesday on SB 237 and SB 241 which are amendments to the expanded lottery act. In addition they will hear SB 319, introduced on behalf of Phil Ruffin, who would like to see another vote in Wichita permitting slots at the racetrack and lowering the tax rate agreed to in the original expanded lottery act, SB 66. In addition the bill would lower the threshold for investment in the southeast Kansas gaming zone for a casino. Thursday, the committee will take up Substitute for HB 2340 which is a bill held over from last year. The bill removes the casino exemption from the smoking ban.

The House Appropriations committee has suggested some pretty ambitious deadlines for its budget subcommittees to report back with recommendations. So next week, committees will be hearing the requests of agencies and finalizing their reports back to the Appropriations Committee.

Both committees in the House and Senate have passed several bills out of the committee, leaving a number of items on the calendar to be debated by the full chamber. We can expect at least one day of General Orders next week for the House and the Senate.

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