

KLPG Capitol Highlights

2019 Legislature, Week Three

About KLPG:

KLPG is a bipartisan, voluntary, independent, non-profit corporation comprised of elected county commissioners in rural counties interested in preserving & strengthening constitutional government.



labs, but the Hiawatha facility is considering a shift to just offering outpatient services. A report generated by the Kansas Hospital Association detailed the economic impact of these hospitals on their county throughout all businesses and industries as being \$23,270,000. It indicated the hospitals directly employ 318 people with an additional 128 jobs in the community that are dependent on the hospitals. Horton Industrial Development Corp. had a recent meeting specifically to brainstorm ways to help HCH where they determined that the absent out-of-town owners, Empower HMS, must also show up at the table and become involved in the community to assure the hospital's future. Horton grabbed headlines nationally when Marcus Lemonis, of The Profit television show, spent nearly \$1 million buying and fixing up buildings in Horton that he has now deeded to the nonprofit Reinvent Horton. The city has brand-new utilities in, new sewer lines, new water lines, new water treatment plant and there is a beautiful lake with 130 camping stalls around it. The goal was to improve the town and make it an attractive destination for people to visit and live, but that appeal will deteriorate if health care isn't readily available in the community.

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RURAL HOSPITALS IN THE RED

Hiawatha and Horton Community Hospitals are reaching out to city and county officials to help cover their respective \$200,000 monthly deficits because the federal government has yet to offer funding or incentivizing for improvements to rural hospitals. Both these Brown County hospitals report that the 2% mandatory Medicare cut laid out in the Budget Control Act of 2011 which required across-the-board reductions in federal spending has made it difficult for them to pay employees, buy supplies, and provide adequate care for their communities. And now they are faced with the Department of Health and Human Services proposed 30% cut in drug discounts known as the 340B Program. The hospitals are both currently critical access hospitals, meaning they operate emergency rooms and have

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TAX CODE ALIGNMENT

The Kansas Senate passed the Senate Bill 22 on a vote of 26-14 and forwarded it to the House Tax Committee for further evaluation. The bill will help corporations and individuals avoid nearly \$190 million in state taxes linked to realignment of the federal tax code. The bill would allow individuals to take an elevated standard deduction on federal returns while itemizing on state returns. Corporations would immediately benefit by circumventing at least \$137 million in state taxes, while individual filers would benefit by avoiding about \$50 million in state taxes. The 2018 Legislature failed to reach agreement on how to alter Kansas law to avoid a backlash against state taxpayers after the federal tax reform law was signed in 2017. Senator Tom Holland proposed the bill be referred to a Senate committee for more work, but that was rejected. An amendment offered by Senator Dennis Pyle to exempt Social Security benefits paid to Kansans from the state income tax was also rejected. Both Republicans and Democrats have

speculated that Governor Kelly would veto the bill if it cleared the Senate and House because she is already on record as supporting the Legislature addressing the court ordered funding of K-12 public schools before any changes in the tax code should be considered.

UTILITY RATES TO INCREASE

The Kansas Corporation Commission approved a base revenue increase of \$21.5 million to resolve a settlement agreement between Kansas Gas Service, Citizens' Utility Ratepayer Board, KCC staff and other interested parties in a rate case the utility company filed last year. This means residential customers will see their bills go up an average of \$2.40 per month beginning in January. KGS said the increase is necessary to meet \$179 million in capital expenditure investments as well as increased employee wages and benefits along with other operations and maintenance costs. However, an agreement was not reached on what should happen with more than \$14 million the company saved after the Federal Tax Cuts & Jobs Act passed and cut the corporate tax rate from 35% to 21%. The KCC had ordered that all utility companies in the state set those dollars aside but said nothing specific that would preclude KGS from just keeping the tax savings. Westar Energy and KCP&L refunded millions to consumers from the dollars they saved from the tax cut. The KCC is

expected to deliver a decision in March on whether those tax dollars must be refunded to consumers.

KPRS MISSED PAYMENT

The Senate Budget Committee has advanced Senate Bill 9 on a 40 - 0 vote to transfer \$115 million to the Kansas Public Employees Retirement System to repay a missed payment of \$97 million two years ago that has been costing the state more than \$20,000 in interest every day since. Legislators have been relying on a series of financial maneuvers for several years to avoid making full annual KPERS contributions. Senate Minority Leader Anthony Hensley said he was concerned about the timing, but he would reluctantly vote in favor of the bill.

COST OF LIVING BILL

A coalition of nearly 100 government retirees rallied at the Capitol Rotunda in support of House Bill 2100 that would provide a 1% to 3% cost-of-living adjustment for participants in the Kansas Public Employees Retirement System. The state doesn't provide an automatic COLA in the retirement system so the benefit level has not changed in nearly 20 years. Governor Kelly addressed the group assuring them that the state is committed to upholding its financial responsibility and obligation to retirees, but she made no promise to support a COLA. Governor Kelly is on record as favoring a second amortization to help fill KPERS coffers with a fixed repayment schedule in regular installments over time.

COMMUNITY ADVOCATES TAKE TO THE CAPITOL

60 cancer survivors, caregivers, and American Cancer Society volunteers visited lawmakers at the Capitol this week to advocate for changes to Medicaid, health reform, and to champion a proposal to raise the minimum age for tobacco and electronic cigarettes sales from 18 to 21. There are already several local ordinances that have passed throughout the state to raise the age limit to 21. The popularity of these products among Kansas youths is especially concerning to the because medical research has shown nicotine is harmful to developing brains. The nonpartisan advocacy affiliate group of the ACS shared statistics that indicate tobacco use accounts for one-third of all cancer deaths and they estimate 15,300 new cases of cancer would be diagnosed this year in Kansas.

STATE OF THE JUDICIARY REFLECTIONS

During his eighth State of the Judiciary speech Kansas Supreme Court Chief Justice Lawton Nuss reflected on the social impact of specialty courts that handle drug and mental health needs with the goal of avoiding

incarceration by telling a story of how a Kansas combat veteran once held up a crisp \$20 bill, crumpled it and asked the court to observe that the value was unchanged thus making his point that no matter how damaged and sullied a person's life may become through bad choices, human beings still retain their value. Nuss also highlighted work to assess municipal court fines and a task force looking at pretrial detention practices. He estimated that more than half the people in our local jails are simply awaiting trial before their guilt or innocence has been determined and those periods of pretrial detention can result in job loss impacting not only a defendant but their families as well. The Chief Justice then asked for an additional \$20 million this year to increase compensation and add positions while expressing his concern over the number of judges who are leaving the bench to return to private practice and noting that Kansas now ranks dead last in judicial salaries in the United States. When a federal magistrate position recently opened in Topeka 12% of the state's district judges applied for the job. The position pays 50% more than a district judge in Kansas and 200% more than a state magistrate. The speech was attended by Governor Laura Kelly, House Speaker Ron Ryckman and other lawmakers. It was the first time a governor has been present for a State of the Judiciary speech and the first time a House Speaker

has appeared since the speech moved from the Statehouse to the Supreme Court.

NO-BID CONTRACT CONCERNS

Interim Revenue Secretary Mark Beshears gave a presentation this week to the House Appropriations Committee after months of attention from lawmakers on no-bid contracts. His focus was primarily on the CGI contracts that first drew widespread attention in May after the Department of Revenue said it planned to outsource dozens of information technology jobs under the no-bid contracts. CGI Technologies was supposed to "go live" with the tax return processing project back in October 2018 but that it still isn't ready, so the state agency has gone back to the pre-CGI environment of processing tax returns, a decision that does not appear to be affecting taxpayers and so far the tax filing season is proceeding smoothly. CGI now has an amended project plan for the tax return processing component and wants to begin testing it in August 2019. Kansas has already paid CGI \$22.5 million, but to date they have only launched a new system to upgrade the collection of delinquent taxes. The committee will evaluate whether to continue with the unfulfilled contract or try to the reclaim some of the funding due to the default by CGI and seek alternatives to complete the work. In September, legislative researchers revealed that the total number of no-bid contracts in Kansas more than doubled over five years, to more than 7,300 currently. The total value of the state's no-bid

contracts also has risen sharply over that same time, from \$160 million in 2013 to \$428 million now. No-bid contracts became an issue in the governor's race this fall, with Laura Kelly promising to clamp down. Now Governor Kelly claimed during her State of the State speech that the state could eliminate waste and improve transparency by ending 'no-bid' contracts.

AT RISK POPULATION RELIEF

A bipartisan Senate group proposed a bill this week that would provide property tax relief to low-income seniors and disabled veterans with homes valued at less than \$350,000. It is expected to affect about 42,000 homeowners with an impact of \$10 million on the state budget. Kansans who qualify for this program would get a check back from the Department of Revenue when they process the income tax return. The Senate Assessment and Taxation Committee will hear testimony on SB 91 on February 14th.

911 ENHANCEMENTS

In a hearing before the House Energy, Utilities and Telecommunications Committee a spokesperson for the 911 Coordinating Council spoke in favor of House Bill 2084. The proposed legislation would increase monthly fees assessed to each 10-digit

phone number from .60¢ to \$1.03 and would raise the fee on prepaid wireless from 1.2% to 2.06%. The higher fees are needed to support a critical upgrade to new technology in counties across the state that are shifting to the NG911 system that will allow dispatch personnel to receive texts, photos and videos from callers and gives them the ability to track the location of any smartphone. Also included in the planned bill are changes to coordinating council membership, including a delegate for tribal government, and an increase in the minimum distribution to each county from \$50,000 to \$60,000.

SOUTHWEST KANSAS HIGHER EDUCATION

The Kansas Board of Regents' CEO told the House Higher Education Committee that Kansas could benefit from establishing more local university education opportunities to residents of southwest Kansas, noting that less than 30% of the population in a dozen southwest Kansas counties had earned a college degree or technical education certificate after high school. Moving forward the board believes the state's objective ought to be an increase in higher education attainment in fields aligning with needs of the economy. Statewide, the public and independent colleges and universities awarded 40,800 undergraduate certificates and degrees in 2018 which is well

below the 60% target set by the Board of Regents. 78% of jobs lost in the last recession were held by people without post-secondary education experience. The Board of Regents has governance authority over state universities in Manhattan, Lawrence, Pittsburg, Hays, Emporia and Wichita. The board has coordinating responsibilities for Washburn University in Topeka, as well as 19 community colleges and six technical colleges.

SALES TAX INCREASES

The House advanced HB 2033 on a 79-3 vote to authorize four counties to hold votes on raising sales taxes including an unauthorized 0.3% tax increase already adopted in Finney County to cover local projects. Funds from a 1.5 to 1.75% sales tax in Thomas County would help pay for a courthouse, jail and law enforcement center. A half-cent tax in Russell County would pay for economic development. In Jackson County, the 0.4% increase would pay for infrastructure. The half-cent sales tax Dickinson County seeks would be for road work. All increases would have a limited time span not to exceed 15 years.

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