

## Legislative Update No. 1, 2020

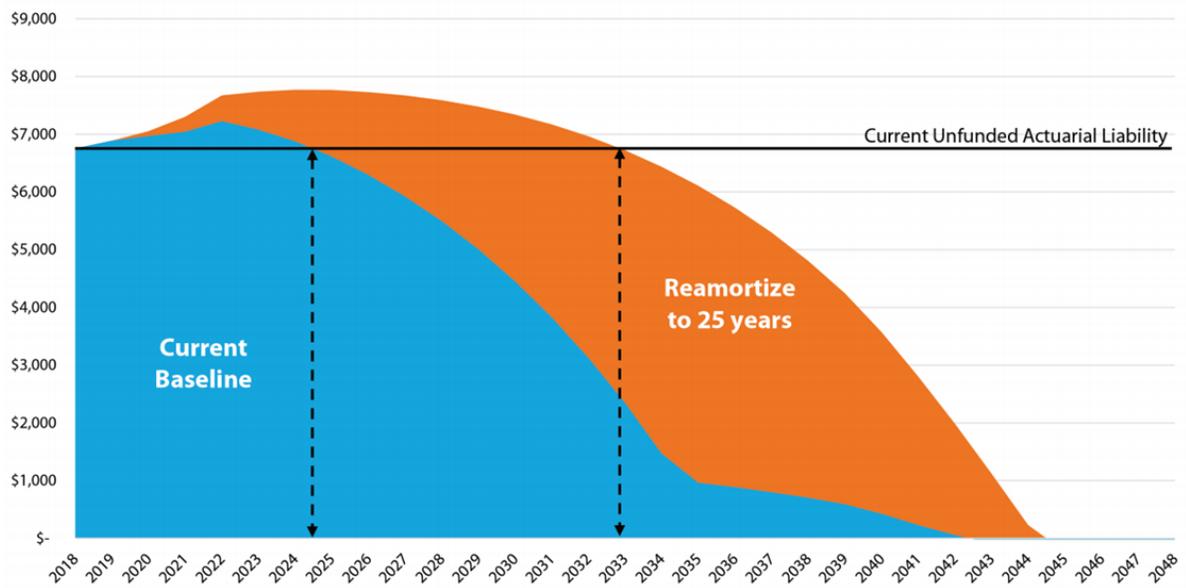
“Deja Vu, all over again,” a famous quote by Yogi Berra, seems very appropriate the first week of session. I could swear I heard the Governor’s State of the State speech last year. The budget the Governor presented to the legislature is likewise, very similar to last years.

The State of the State speech was a professionally crafted political speech. It contained some promises to share some money with counties and cities, and to help with food sales tax credits. The Governor wants Medicaid expansion, and school funding left alone.

The reason I called the Governor’s address a political speech is because the ground work has been laid to blame the legislature if the promises made cannot be kept. This in turn becomes political advertising for candidates running in support of her agenda. Campaign season has begun.

The budget presented relies on reamortization of the KPERS debt or better known as the unfunded liability. This refinancing move extends the period of time KPERS is considered adequately funded, and it will cost the taxpayers of Kansas an additional \$4.4 Billion dollars. The state credit rating could be lowered. Right now, KPERS is approximately 67% funded; 80% plus is considered healthy. A similar proposal was made last year, and it was rejected by the legislature. The KPERS Board has come out opposing the proposal. The Board is responsible for the management of the fund and is liable for any errors. They take their job very seriously and aren’t too pleased when outsiders attempt to alter the plan the board has in place for funding KPERS in the future.

# GOVERNOR KELLY’S \$4.4 BILLION IN NEW DEBT



The graph above shows that by refinancing the debt the pay back period is extend by ten years at a cost of \$4.4 Billion dollars. What it would do, if passed, is to reduce the annual KPERS payments made by the state by \$130 – 160 Million-dollars per year. Those

decreased payments to KPERS would free up money to pay for the promises made and for Medicaid expansion.

Other ways the Governor intends to fund her budget is to tax all digital purchases. Examples of those include, digital music, digital books, software purchases, etc.

A quick overview of the Governor's proposed budget:

### **FY 2020**

- Drastically deplete the SGF ending balance from the end of FY 2019 to the end of FY 2020, from \$1,105 million to \$533.3 million
- Increased SGF spending by 11.25%, or \$791.5 million, from FY 2019 to FY 2020

### **FY 2021**

- Medicaid Expansion: adds \$17.5 million SGF (Administration views as a placeholder); also plugged in \$35.0 million SGF for FY 22
- More KDOT transfers: State Highway Fund transfer to the SGF is \$158.7 million
- State Employee Pay Plan: adds \$11.3 million SGF for 2.5 percent pay raises (only the executive branch; not the legislative and judicial branches, or the Board of Regents)
- K-12 Caseloads: Add \$117.5 million SGF
- Health/Human Services Caseloads: Add \$63.5 million SGF

**Bottom line:** The governor's proposed budget to the legislature only balances with transfers from the State Highway Fund and KPERS reamortization. Her budget fails to consider FY 2022 and beyond where current expenditure trends are forecasted to lead the state budget into a fiscal pit with increased debt.

The committees were busy the first week with new bill introductions, welcoming new members, establishing the rules for committee work, and briefings on work to take place this year. I was honored to be shadowed by a group from the Flint Hills Regional Leadership class, Valerie Ramage, Melissa Gamino, Kymberly Burnett, Janice Nikkel, Richard Sell, and Aaron McCracken. Garrett Reiss, a member of the Kansas Agriculture and Rural Leadership (KARL) program, also shadowed me for a day. They were eager to learn about the legislative process, and my personal views on several topics.

My phone number and email at the Capitol remains the same, 785-296-7310 and [ron.highland@house.ks.gov](mailto:ron.highland@house.ks.gov). It is an honor to represent you and keep you informed with my newsletters. If you call my office you will be speaking to my assistant, John Willey, who schedules all my appointments and keeps me on the run. At my website, [www.ronhighland.com](http://www.ronhighland.com), you can find a syllabus that explains in detail how to get the legislative information you need. As always, it is an honor and privilege to serve you.

With kind regards,

Ron