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January 15, 2016 Legislative Update

The 2016 Kansas Legislative Session convened on Monday, January 11, 2016 for what many are hoping for a relatively quiet, concise and targeted session versus the record-setting 113-day session of 2015. The House of Representatives has even passed their first bill of the session designating Cowley County as the stone bridge capitol of the state. Considering the House of Representatives did not even go on General Orders for days at a time last year, moving to debate any bill on just the third day of the 2016 session was notable and hopefully a sign of their commitment to conduct business swiftly and efficiently.

No committees met on Monday, leaving Tuesday as the start of official business beginning with the elephant in the room, the budget.

Efficiency Study

On Tuesday, representatives from Alvarex and Marsal, the chosen consulting company by the legislature in 2015 to conduct an all agency efficiency study of Kansas government, proposed their initial efficiency report to both the House Appropriations and Senate Ways & Means Committees. The legislature appropriated \$2.6 million for the study, which began in October. A final report to the legislature, including next steps and implementation strategies is due by February 12.

The efficiency study recommended 105 changes, resulting in \$2 billion in savings to the Kansas economy over a 5-year period, beginning next fiscal year. It's important to note that all of the savings are state dollars and no federal funding was included. Most of the 105 recommendations were focused on service delivery via centralizations and NOT cutting services to the public or consolidation of school districts.

The 260-page study covered a number of specific savings in state functions from insurance, procurement, real estate/print services, human resources, state health plan, transportation, education, Medicaid and revenue. While we wait to see which recommendations will actually be implanted by the legislature, it's promising that lawmakers are investing serious dollars in cost-saving measures rather than raising taxes on Kansans.

A full report on the initial efficiency study can be found here: <http://www.kslegresearch.org/KLRD-web/Publications/AppropriationsRevenue/KansasStatewideEfficiencyInterimRpt2016Jan12.pdf>.

State of the State Address

Governor Brownback gave his sixth State of the State speech Tuesday, where he touted his accomplishments and outlined just a few policy issues he encouraged the legislature to work through this session. Unfortunately, the address was not televised ahead of the President's State of the Union address, but there is a printed version with footnotes and reference material.

Some key policy items to note from his speech:

- Support continues for property tax reform to strengthen the public vote requirement put in place during last year's Veto Session.
- Welfare changes are putting more Kansans to work and leading to stronger family units.
- He continues to oppose movement of Guantanamo Bay prisoners to the Ft. Leavenworth Military prison.
- He stated that Obamacare is threatening many Kansas hospitals and services managed through KanCare. He requested a working group to look at addressing health-care delivery in rural Kansas, with a proposal to the legislature by 2017. He continues to oppose expansion of Medicaid.
- Water issues have seen improvement with the first-ever dredging of a federal reservoir, but the need for more water preservation still exists.
- As far as public education, Brownback defended what the legislature appropriates and continues to advocate for a new education funding system that puts more money into the classroom and provides bonuses and incentives for good teachers.
- He also mentioned the need to continue to find a more democratic selection process for Supreme Court justices.
- He'll be pushing for more anti-abortion legislation, and has given strict orders to KDHE Secretary Susan Mosier to "terminate Planned Parenthood of Kansas and Mid-Missouri, and any other individual providers that are affiliated with Planned Parenthood, from participation in Kansas Medicaid, including KanCare following the provision of appropriate notice to those providers."
- Brownback also plans to continue to expand his welfare-to-work proposals.

As far as the legislature's reaction to the speech, many democrats were wondering why there was no mention of the budget; while Republican leadership supported most of his initiatives and were confident that many will be accomplished during the 2016 session.

Governor's Proposed Budget

On Wednesday, Budget Director Shawn Sullivan presented to a joint committee of House Appropriations and Senate Ways & Means on the Governor's proposed budget for FY'16 and '17.

During the 2015 legislative session, the legislature approved a budget based on revenue assumptions of \$6.4 billion and \$6.322 billion in expenditures, leaving an ending balance of \$87.7 million. Due to revenue shortfall and revised consensus revenue estimates in November, the Governor submitted his revised budget for the remainder of FY'16 and FY'17.

The Governor's recommendation for FY'16 revises total revenues down by \$80 million and expenditures from \$6.322 billion to \$6.294 billion, leaving an ending balance of \$35.1 million. FY'17 adjusts total revenues down \$116 million from \$6.597 billion to \$6.482 billion. Total expenditures for FY'17 have been revised down \$4 million to \$6.394 billion, leaving an ending balance of \$87.9 million. The original ending balance for FY'17 approved by the legislature was \$199 million.

Adjustments made to FY'16 revenues include the consensus revenue estimating group adjustments of \$159 million, \$56.9 million from November allotment transfers and additional transfers totaling \$24.2 million outlined by budget director Sullivan on Wednesday.

Adjustments made to FY'17 revenues include an additional \$25 million from KDOT, transferring \$50 million from Children's Initiative Fund into State General Fund, privatization of the Kansas Bioscience Authority and other additional transfers and expenditure reductions.

The full proposed budget report by the Governor can be found here: <http://budget.ks.gov>.

Next Week

Legislators are off on Monday for Martin Luther King Day and will return on Tuesday, January 19, 2016. Staff from state agencies will continue to report to committees as well as hearings on several bills to which we'll continue to keep our client's apprised.