



KHA's Capitol Comments
January 11, 2024

Joint Budget Committee Meets

Today, the Senate Ways and Means Committee met jointly with the House Health and Human Services Committee to get a Consensus Revenue Estimate Report. The committee, chaired by Senator Rick Billinger (R-Goodland), received a presentation from the Kansas Legislative Research Staff on Human Caseloads.

The group has revised estimates in fiscal years 2024 and 2025 based on expenditures in last fiscal year and future considerations. The committee heard that the estimate for FY 2024 is a decrease of \$65.8 million, or 1.3 percent, compared to previous estimates. The estimate for FY 2025 is an increase of \$122.6 million, or 2.5 percent, from all funds, including a State General Fund increase of \$45.9 million. The revised estimates for all human service consensus caseloads is \$5.0 billion from all funding sources, including \$1.5 billion SGF for FY 2024 and is \$5.1 billion from all funding sources, including \$1.5 billion from SGF for FY 2025. The KanCare portion of estimates for FY 2024 is \$4.5 billion from all funding sources, including \$1.2 billion SGF, a decrease of \$71.9 million. And in FY 2025, the KanCare portion of estimates for FY 2025 is \$4.7 billion from all funds, including \$1.2 billion SGF.

Staff highlighted Medicaid unwinding and its changes impacts to estimates in addition to the highlighting that 48,000 individuals have lost coverage during the unwinding, with 64.3 percent of those being under the age of 21.

The committee also heard from fiscal analysts on the most recent Consensus Revenue Estimates for FY 2024 and FY 2025. The overall estimate for FY 2024 was decreased by \$67.7 million. Of that amount, the estimate for total taxes was decreased by \$65.0 million, while the estimate for other revenues was a decrease by \$2.7 million. The estimates include some growth in the FY 2024 and FY 2025 but also include consumer price growth in 2025 and 2025. For FY 2024, the group is estimating State General Fund receipts to be \$10.284 billion, a decrease of \$67.7 million below the previous estimates. Total SGF receipts of \$25.7 million were highlighted.

In FY 2025, the initial estimates for FY 2025 is \$10.257 billion, and is a .3 percent decrease below the newly revised FY 2024 total.

The committee also saw a five-year overview, based on the latest CRE, and including projected expenditures for caseloads and school finance. The SGF Profile shows ending balances in FY 2024 of \$2.8 million, with estimated balances in future years:

- FY 2025 - \$3.5 billion
- FY 2026 - \$3.8 billion
- FY 2027 - \$4.1 billion
- FY 2028 - \$4.5 billion

Next, the committee heard from Secretary of Administration and Director of the Budget Adam Proffitt, who presented Governor Laura Kelly's FY 2025 budget proposal. The proposal, the base from which the legislature will use to build their own budget, is a starting point for legislative budget discussions.

Proffitt highlighted the proposal uses one-time revenues to pay for one-time expenditures, including:

- \$500 million for early debt retirement
- \$500 million for capitol projects
 - Hutchinson Correctional Facility
 - Topeka Correctional Facility medical/behavioral support building
 - KHP Training Academy
 - KUMC Cancer Research Center (including a private match)
- \$200 million for post-secondary education projects
 - KSU Ag Innovation Initiative (matching dollars)
 - FHSU Stroup Hall expansion for nursing workforce development
- \$80 million for community investment projects (housing, infrastructure, etc.)
 - Emergency housing matching dollars
 - World Cup operation Matching dollars
 - Moderate Income Housing
 - KDHE small town water infrastructure grants

Proffitt highlighted the governor's proposed tax plan, including:

- Exempting social security income from state income tax
- Increases in standard deduction for personal income tax
- Speeding up the state level food ingredient sales tax and include diapers and feminine hygiene products
- Add a back to school state sales tax holiday
- Exempt first \$100,000 of appraised value for residential homeowners
- Increasing the childcare tax credit
- Restoration of the LAVTRF transfer in FY 2025

The need for Medicaid expansion was highlighted with an update on the most recently passed states. The director emphasized this is a SGF 15-year budget neutral proposal. Additional investments of \$2.0 million in the Kansas nursing initiative were included. On the topic of education, the governor's proposal includes funding for Early Childhood Care and Education to increase capacity, sustainability grants and a pilot program in NW Kansas, in addition to funding for special education. Water investments also were emphasized.

Upon questioning, the Senate President Ty Masterson (R-Andover) pointed to other states with Medicaid expansion having less workforce participation. The budget director cited 77 percent of those that could qualify have at least one working adult in the household. He also pointed out that during the pandemic, the workforce participation didn't go down when people couldn't get kicked off. The Senate President questioned that 150,000 don't have access to health care and suggested expansion could displace those currently eligible for Medicaid. Representative Kristey Williams (R-Augusta) asked Secretary Proffitt about work requirements and if similar requirements have been given. Representative Stephen Owens (R-Hesston) discussed the disabled wait list, and questioned how many people qualify for exchange subsidies, and asked about how many people would come off private insurance, and suggested that hospitals and physicians lose money on Medicaid. Committee members questioned about the federal government expenditures and suggested we aren't meeting current obligations for those on the waiting lists.

State of the State and Response Is Delivered in Kansas

Governor Laura Kelly provided her annual State of the State Address last night. The governor opened the address with reflections on last year's speech highlighting the momentum that has been made to date and stressing that while "achieving is hard, sustaining is harder." She focused on the link between the needs of rural Kansas and its counterparts in urban areas, saying, "When rural Kansas is strong, all Kansas is strong." She committed to spending the rest of her term focusing on issues of importance to rural Kansas.

The governor highlighted her policy agenda, including:

- The need to keep public schools fully funded and expressed a disinterest in diverting public funds for private schools
- Special education funding needs for Kansas schools
- A need for significant investments in early childcare and daycare for working parents
- Reorganization of childcare center-related agencies
- Continued investments in the State Water Plan
- A tax proposal alternative that includes:
 - expedited buy down of the food ingredient sales tax
 - elimination of state taxes on social security
 - raising residential property tax exemption from \$40,000 to \$100,000
 - creating a back-to-school sales tax holiday
 - increasing standard deductions
 - increases to childcare tax credit

The governor also renewed the call for Medicaid expansion, drawing a parallel of her approach to listening to Kansans on the license plate for the state and calling on the legislature to listen to Kansans and hold a hearing on the proposed Medicaid expansion bill by Kansas Day.

The governor suggested rural hospitals in Kansas are not doing well financially and pointed to the closure of Herrington Hospital and the Fort Scott emergency room. She highlighted national statistics suggesting that 59 hospitals are in financial jeopardy. She explained those hospitals are faced with difficult choices such as laying off staff, cutting services and asking the counties to consider further investments in the form of additional property taxes. Further, the governor suggested far too many Kansans working don't have employer-based insurance but make too much money to qualify for Medicaid. While acknowledging the opposition says Medicaid expansion is not a silver bullet for hospitals, the governor agreed and said the problem also cannot be solved without it.

Speaker of the House Dan Hawkins delivered the pre-recorded response to the State of the State. Speaker Hawkins emphasized he hears Kansans' desires for less government interventions. He compared the state executive branch to the federal executive branch in spending approaches. The speaker emphasized Medicaid expansion is for able-bodied working-age people. Hawkins emphasized families are focused on higher living expenses and economic uncertainty and deserve relief in tax cuts. Speaker Hawkins highlighted the belief in policies such as higher medical reimbursement rates, more support for community mental health centers, eliminating the Intellectual / Developmental Disability waiting lists, and increasing access to care with support for charitable health care clinics.

The speeches are followed by the governor's official budget proposal to the House Appropriations and Senate Ways and Means Committee members. The governor's budget is the base for legislators to begin their budgeting process for the 2024 legislative session.

Senate Assessment and Taxation Committee Hold Hearing on Local Ad Valorem Tax Relief Fund

\ Today, the Senate Assessment and Taxation Committee, chaired by Senator Caryn Tyson (R-Parker), held a hearing on [Senate Bill 196](#), reinstating transfers to the local Ad Valorem Tax Reduction Fund. Conferees appearing before the committee included:

Proponents:

- Senator Jeff Pittman (D-Leavenworth)
- Jeff Culbertson, Leavenworth County
- Terry Lois Mashburn, Leavenworth County
- Mike Steiben, Leavenworth County
- Krystal Voth, City of Basehor
- Representative Vic Miller (D-Topeka)
- Spencer Duncan, League of Kansas Municipalities
- Jay Hall, Kansas Association of Counties

- Christian Ramirez, Wyandotte County
- Bill Riphan, Shawnee County
- Mike Taylor, Association of County Commissioners

Opponents:

- Michael Austin, Americans for Prosperity
- Eric Stafford, Kansas Chamber
- Dave Trabert, Kansas Policy Institute

Committee members asked if the bill had a direct tie to say that LAVTR must go toward property tax reduction or they won't be eligible to receive those funds. The committee will meet again next week.

First of Conference Committees Meet

Today, the Senate Assessment and Taxation Committee leadership met with House Tax Committee leadership to work through a bill they had held from the 2023 session.

While typically, conference committees do not meet this early in the session, the meeting signals a desire of the legislature to tackle tax policy early in the session.

The committee took the shell of the former House Bill 2284 and added many of the components from last year's tax reform. The conference committee members will meet again next week.

Introduction of Bills

[House Bill 2478](#) – Concerning insurance; relating to the Healthcare Provider Insurance Availability Act; adding maternity center to the definition of "healthcare provider" contained therein, by Rep. Proctor

[House Bill 2484](#) – Concerning the behavioral sciences; relating to social work; enacting the Social Work Licensure Compact to provide interstate practice privileges; authorizing the Behavioral Sciences Regulatory Board to establish a fee for a license with compact practice privileges, by Rep. S. Ruiz

[House Bill 2487](#) – Concerning crimes, punishment and criminal procedure; relating to controlled substances; providing immunity from prosecution for certain drug crimes when persons seek or provide medical assistance related to the use of a controlled substance, by Reps. Hoheisel, Alcalá, Probst and Proctor

[House Bill 2488](#) – Concerning crimes, punishment and criminal procedure; relating to assisting suicide; providing criminal penalties for intentionally advising or encouraging another person to commit or attempt to commit suicide, by Rep. Hoheisel

[House Bill 2492](#) – Concerning abortion; prohibiting abortion procedures, exceptions; providing a private cause of action for civil enforcement of such prohibition, by Rep. Murphy, Fairchild, Garber, Hill, Jacobs, Poetter Parshall, Rhiley and Seiwert