

# State Representative

# Don Hineman

**Don's Legislative Update**  
*April 2, 2017*

## Medicaid Override

On Thursday, the House attempted to override the Governor's veto of HB 2044 which would have expanded Medicaid in Kansas. After vigorous discussion, the motion was eventually tabled to allow all 125 members a chance to vote on an issue which many consider critical. If it becomes law, the bill would create the Bridge to a Healthy Kansas program which would provide affordable health care to about 150,000 low income Kansans. I covered the details of the program in an earlier newsletter but the eligibility requirements include the following:

- Must be between 18 and 65 years of age.
- Has an annual household income of no more than 133% of the federal poverty level, after the 5% income set aside allowed by the Patient Protection and Affordable Care Act.
- Cannot participate in Medicare or are not otherwise eligible for Medicaid.
- Federal law requires Medicaid recipients must be US citizens or legal residents.
- Preventive care - the program covers qualifying preventive care at no expense to participants.
- Federal funding - the program is funded in part by federal funds as set forth in the Affordable Care Act (ACA), and the program will automatically terminate if federal funding is reduced below the requirements set forth in the ACA.

While it's easy to recognize some of the benefits associated with Medicaid expansion it's also important to realize that the ever-increasing costs of Medicaid, as well as changes in Washington, leave many unanswered questions.

The Bridge to a Healthy Kansas program would provide the following benefits:

- More low-income individuals will have access to health care coverage, which in turn helps maintain access to local health care services in rural Kansas.
- It also will reduce the occurrence of uncompensated care for the uninsured and the associated costs that are passed along to hospitals and other health care providers. As you may remember Kansas hospitals have endured federal reimbursement cuts for health care services. These reductions were supposed to be offset by federal funding for expanding Medicaid.



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## Useful Phone Numbers

**Department On Aging**  
800-432-3535

- The total benefit for the 128 hospitals in Kansas would be nearly \$7.4 million.

The expansion of Medicaid in Kansas does raise significant concerns, including:

- Medicaid's share of the State General Fund continues to increase, and this has forced the State to shift funding from other priorities.
- The Federal Government will begin reducing their share of coverage from 100 percent to 90 percent and there is concern that the Federal Government may further reduce its match rate even further at some future time.

## Flat Tax Proposal Passes Out of Committee

As the legislature considers various options to solve the state's current fiscal imbalance, the House tax committee considered and passed out HB 2395 this week, which would replace Kansas' current income tax system with a single rate flat tax of 5%. Low income earners (below \$12,500 married filing jointly and \$5,000 single taxpayers) would be exempt from Kansas income tax. Additionally, the standard deduction would increase from \$3,750 to \$7,500 for joint filers and from \$3,000 to \$6,000 for single filers. Medical deductions would once again be 100% deductible, and the income tax exemption granted to pass-through income (LLCs, partnerships, sole proprietorships, and farmers) would be entirely repealed. And finally, beginning January 1, 2019 the sales tax on food would be reduced from 6.5% to 5%.

Advantages of the plan:

- Simplicity. One rate for everyone
- Lower taxes for taxpayers compared to Kansas tax policy prior to 2012
- It restores pass-through income (the "LLC loophole") to the tax rolls, thereby restoring greater equity to Kansas tax policy
- Reduced sales tax on food, particularly important to low income Kansans

Disadvantages of the plan:

- A flat tax is widely considered to be regressive, placing a greater burden on low income taxpayers than a multi-bracket system as found in the current Kansas plan or as previously proposed in HB 2178
- Economists point out that a flat income tax is less elastic than a multi-bracket plan. That means as the economy expands, revenue produced by the flat tax will not keep pace as well as it would with alternative income tax systems.

Tax policy theorists advocate for policy which is simple, broad-based, equitable and stable. HB 2395 would score high for simplicity, although the low-income exemption and double deductions add some complexity. Due to the low-income exemption, the plan could not be categorized as broad-based. Although equity is somewhat in the eye of the beholder, it is generally accepted that a multi-bracket system is more equitable than a flat tax. And finally, the flat tax could create stability issues due to its inelasticity.

Although HB 2395 has passed out of the committee, it is not yet a final product, and is only one of several options for tax reform currently under consideration by the legislature.

**Child/Adult Abuse Hotline**  
800-922-5330

**Child & Family Services**  
888-369-4777

**Consumer Protection**  
800-432-2310

**Crime Tip Hotline**  
1-800-KSCRIME  
(1-800-572-7463)

**Crime Victims' Information Referral**  
800-828-9745

**Disability / Social Security Fraud Hotline**  
800-269-0271

**Edler Abuse Hotline**  
800-842-0078

**Governor Brownback Constituent Services**  
800-748-4408

**Highway Road Conditions**  
1-866-511-5638  
In-State Dial 511

**Housing Hotline**  
800-752-4422

**KanCare Clearinghouse**  
800-792-4884

**Kansas Lottery**  
800-544-9467

**Legislative Hotline**  
800-432-3924

**Mental Health Services**  
888-582-3759

**National Suicide Prevention Lifeline**  
800-273-8255

**School Safety Hotline**  
877-626-8203

**Taxpayer Assistance**  
785-368-8222

## School Finance Plan

Last week the House K-12 Education Budget Committee held its two days of hearings on HB2410, which will serve as a template during the upcoming discussions on school finance. The objective of Chairman Campbell since early January has been to allow full participation by all stakeholders. The committee remains focused on the goal of creating a formula which: 1) best serves the students of our state, 2) will be deemed constitutional when reviewed by the Kansas Supreme Court, and 3) affirms the legislature's support for our teachers, schools, and communities.

Looking at the numbers, HB2410 as introduced would provide just shy of \$1.9 billion in base state aid and \$437 million for special education services along with appropriations for several other educational functions. The total amount increases spending on K-12 education by roughly \$75 million over last year, but still falls over \$600 million short, in terms of real dollars, of 2009 funding levels. It is generally accepted that we will need to increase state support for education by an amount in between those two figures to satisfy the "adequacy" requirement imposed by the state constitution.

Chairman Larry Campbell and the K-12 Education Budget Committee members have worked diligently since the 2017 legislative session began in January. Many hours have been devoted to examining alternatives and crafting the bill as it now stands. The committee began debating and amending the bill on Thursday, working from 1:00 p.m. until 8:00 p.m. It is anticipated that the committee will complete work on the plan early next week, and move it out for consideration by the full House.

## Budget

This week, the House Appropriations Committee passed its initial budget proposal for the next two fiscal years. The bill, House Sub HB2052, will be considered by the full body next week. Below is a quick rundown of the numbers. The proposal adds up to \$6.27 billion in spending for FY18, only \$16 million above the governor's recommended spending, but leaves us with an ending balance of negative \$248 million even with the delay of a quarterly KPERS payment. These are still estimates, as the Consensus Revenue Estimates will not be released until mid-April. Obviously, the three big issues of school finance, budget, and tax reform are intertwined, and final decisions regarding each of them will be related to decisions on the other two.

Additionally, the rescission bill, which finalizes the budget for the current year ending June 30 made it through conference last week and will move through the Senate and House (in that order) before being presented to the Governor upon passage. The proposal removes \$67 million in KPERS payments scheduled for this year as well, and would borrow just enough from the long-term investment fund to leave the state with a \$50 million ending balance.

## Town Hall Meeting

Tuesday, April 11, 6:30 p.m.  
at the Leoti CARE center, with Senator John Doll

## Cowboy Logic

If I agreed with you, we would both be wrong.

## Quote of the Week

### Tax Refund Status

800-894-0318

### Unclaimed Property

800-432-0386

### Unemployment Insurance

800-292-6333

### Voter Registration

800-262-8683

### Welfare Fraud Hotline

800-432-3913

### Workmans Compensation

800-332-0353

I can explain it to you but I can't understand it for you.

### **Sermon in a sentence**

"Well done is better than well said." - *Benjamin Franklin*

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### **Representative Don Hineman**

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**Newsletter Paid for by Hineman For Kansas - Derek Martin, Treasurer**