

2021 Kansas Legislative Update

Every Legislative Session is unique in its own way...shaped by a number of variables ranging from the condition of the state's overall financial picture; to a variety of policy issues both big and small; to the political environment; and then there is often an X-factor, the unforeseen issues, or conditions that no one expects or sees coming.

For the 2020 Session, that unforeseen X-factor was of course the emergence of the COVID-19 Pandemic. COVID-19 resulted in the Kansas Legislature, like so many others around the country, to literally shut down mid-session and leaving a lot of unfinished business behind.

As we began the 2021 Legislative Session, the Pandemic, and the issues and circumstances surrounding it, continued to be a huge factor. As lawmakers returned to Topeka, the Legislature was preparing to conduct much of its session activities with strict COVID related protocols in place that dramatically altered the way the Legislature conducted business. While the widespread appearance of vaccines by February help ease some of these obstacles, it was not until the very end of the session that the legislature really started operating on a more normal basis.

The Pandemic also impacted the parameters of a wide range of issues and legislation that were considered under the dome in 2021.

The Pandemic shaped the Legislature's activity on wide variety of issues ranging from the Governor's emergency powers during the COVID-19 State of Emergency; to the push for business tax relief to compensate for the loss of business due to government decisions made because of the Pandemic; to the return for consideration of a whole host of issues from the 2020 session that were stopped in their tracks as the legislative process suddenly and unexpectedly shut down due to COVID.

Another big factor that shaped the 2021 Session was the change in the Legislatures political composition as a result of the 2020 Elections. Those 2020 elections yielded a far more politically conservative legislature as many Moderate Republicans were defeated for reelection in the August 2020 primaries, and Democrats failed to gain seats in the November general election as had been expected.

With this super-charged Conservative majority, the Legislature would focus this session a lot on social issues and ways to shrink the size and role of state government thru tax cuts.

The issue of cutting taxes is always one that is closely monitored by our Coalition. That is because the overall financial condition of the state budget often directly impacts the financial condition and stability of KPERs.

Prior to the Pandemic hitting Kansas in the spring of 2020, Kansas was starting to finally crawl out of the self-inflicted damage caused by the Failed Brownback Tax Experiment of the previous decade. This failed tax cut policy, which dramatically reduced state revenues while providing the bulk of the tax cut benefit to the wealthy special interests, not only decimated state revenues but also endangered many priorities and programs that Kansans and their communities count on.

For those of us in the Keeping the Kansas Promise Coalition, this tax cutting policy put KPERS in harm's way as employer contributions into KPERS were often diverted in order to help balance the state budget/essentially helping to pay for the tax cutting extravaganza. The Legislature elected in 2016 helped to reverse this Failed Tax Policy and by 2020, thanks to those courageous legislative decisions, along with the steady leadership of new Governor Laura Kelly, Kansas was put back on a good path towards budget stability. Revenues were rebounding, school funding was able to achieve a seal of approval from the State Supreme Court, and state policymakers were able to back away from dipping into KPERS and the State Highway Fund to balance the budget.

In 2019, Legislators actually moved to payback a large chunk of the employer contributions that had previously been diverted to pay for the Failed Tax Experiment and authorized \$1 billion in pension obligation bonds to help further paydown the KPERS Unfunded Actuarial Liability (UAL).

Ensuring that the State Budget is stable and balanced to protect KPERS and other critical areas of funding areas such as education, has always been a high priority for KKP, and 2021 was no different. The Coalition was supportive of Governor Kelly's veto of the tax cut bill passed during the 2021 session and were disappointed that the Legislature chose to override that veto. We are hoping, like many others, that as the economy continues to recover from the Pandemic, the state budget will be able to adequately absorb the associated revenue reductions.

Beyond these issues, the Coalition closely monitored a variety of bills that touched on KPERS during the 2021 session. These included two measures that passed:

HB 2243- which was an omnibus KPERS related policy bill that included tweaks to the Kansas Deferred Retirement Option Program (also known as DROP); codifying the Governor's funding allotment in 2020 to the KPERS Death & Disability Fund; and syncing up certain KPERS provisions with recent changes at the Federal level.

And HB 2405- which authorized the Issuance of another \$500.0 Million in Bonds to help further paydown the KPERS unfunded liability (UAL).

While the Coalition was pleased with the enactment of those two pieces of legislation, we were also monitoring a couple of other bills introduced this session that were a cause for some concern. The main bill of concern was HB 2042, which proposed to create a Kansas thrift savings plan. This proposal in essence was a defined contribution plan. Any attempt to inject a defined contribution approach as part of KPERS is always a cause for concern by the Coalition.

This particular bill was granted a hearing in the House Pensions Committee, but the Coalition and others were able to mobilize and successfully stop the bill from moving.

Later in the session, there was an attempt to amend the thrift savings proposal into another bill during a debate on the Senate floor. Again, these efforts were unsuccessful. However, the comments made by several Senators during the debate serve as a reminder to the Coalition that we must continue to be vigilant in our efforts to protect KPERS, and that the notion of shifting KPERS over to a totally defined contribution system continues to be in the back of the mind of a number of conservative Republican legislators.