



## Legislative Affairs News

### LEGISLATIVE AFFAIRS NEWS

For Week Ending January 20, 2012 | Week #2

*As reported by Robert J. Vancrum, Kansas Government Affairs Specialist for the Shawnee Chamber of Commerce*

#### **BUDGET & TAXATION**

The highlight again this week was the Governor's tax reform plan. Details are beginning to emerge. A fiscal note was agreed to indicating that the Plan would reduce overall revenues by \$89 million. The Legislative Research also indicated the Plan would raise some \$88 million in additional taxes from those Kansans earning under \$25,000, because of the elimination of the earned income tax credit. Research also released projections for taxpayers. It essentially shows that median taxpayer (couple in the \$65,000-\$70,000 gross income bracket) having itemized deductions would generally pay more under the Governor's Plan, whereas those who do not itemize would pay less. It also indicated those with business income both in the middle and upper class would benefit, which is no surprise since the plan generally exempts non-wage payment of business income.

The Revenue Secretary and other Governor staff responded vigorously to charges by the Senate Minority Leader that the Governor's Plan is taking from the poor to give to the rich. They maintain that all revenues gained from eliminating deductions and credits enjoyed by lower income Kansans are put back into increases in the standard deduction for single heads of household and to direct relief for lower income taxpayers. However, the realtors and homebuilders also expressed strong opposition to eliminating the mortgage interest deduction. The response from the Governor's office has been that the main benefit of this deduction is against federal income tax, which of course will not be changed. The House Speaker on Friday said the House leadership wishes to keep the deductions and will have a tax reform bill that is paid for from growth in state revenues.

Arthur Laffer (author of the "Laffer Curve") testified before the House and Senate Tax Committees about his involvement with the Governor's Plan. He believes that the top rate of individual income tax has more impact on the creation of jobs than any other single factor, and justifies keeping a higher sales tax rate.

It was revealed this week that the Governor's budget did not include the expected loss of revenue from the Plan. The Budget Office reduced ending balance projections by \$89 million (the admitted amount of the shortfall) to 6.2%.

## EDUCATION

The Governor's staff have continued to promote the school finance reform measure they presented in mid- December, but even many who would appear to benefit are concerned about whether the complicated hold harmless and equalization guarantees in the new formula will be maintained in future years.

## OTHER

Lt. Governor Colyer made a presentation both to the Senate Ways and Means Committee and the House Appropriations Committee this week concerning the administration's proposal to privatize the redelivery of Medicaid services. The Lt. Governor expressed the opinion that many of the programs serving the Medicaid population were overlapping and so complex that even many Medicaid providers serving that population had no real idea which programs were available to which recipients. He told the committees that his plan use an outcomes based model and a single case manager would be assigned for each recipient. His proposal is for private contractors to manage the state's Medicaid system with specific goals and targets to be set for each recipient. Again, details of the proposal continue to be sought by legislators.

This week a group of freshman conservative Republicans demanded the Governor abandons his \$130 million computer system for determining Medicaid eligibility on the basis that it was inconsistent with the administrator's express opposition to federal healthcare reform. The administration pointed out that the RFP for the system said not to assume had a condition continuance of the Federal Affordable Care Act or any regulations there under.

As always, if you have any questions about the report or other issues to come before the legislature, please send me an email, [rvancrum@vancrumlaw.com](mailto:rvancrum@vancrumlaw.com).

Shawnee Chamber of Commerce