



## Legislative Affairs News

### LEGISLATIVE AFFAIRS NEWS

Week ending January 22, 2010 | Week #2 |

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

The Legislature was once again on a shortened schedule with both Chambers taking Dr. King's holiday on Monday. In fact, the House took a Friday pro forma day (all but leaders can go home) and most of the House members went home Thursday evening after committee meetings. The Senate came back on Friday to work on final action after working very late on the floor Thursday in debate on final action on a bill that makes it illegal to sell cannabis based artificial substitutes for marijuana.

Perhaps the biggest development of the week was the House Tax Committee opening debate on the Governor's tax increase proposals. Proponents of the tax increase testified Thursday morning in House Taxation. Education groups, as well as advocacy groups for disabled citizens, low income, elderly and many other groups that have seen their funding significantly reduced over the last two years, were present to support the sales tax increase which is found on the House side at HB 2475. In addition, Senate Assessment and Taxation Committee reversed course and allowed the introduction of the revenue Secretary's group of sale tax exemption eliminations, the largest of which was re-imposing a tax on repairs (\$146 million). This committee has neither set for hearing.

Senate Ways and Means Committee acted upon the budget rescission bill necessary to implement all of the Governor's budget reductions and allotments made in December. Originally SB350, it was put into Sen. Sub. for HB2222.

House Appropriations is doing generic hearings on how they can reduce spending. On Monday the 25th, Dave Trabert representing the Kansas Policy Institute (formerly Flint Hills) will give testimony that state agencies, local governments and school districts have billions of dollars of unspent reserves. In part there ARE some school districts and other local government reserves collected for special purposes, such as proceeds of a building bond issue or capital outlay, that is collected in advance but has to be invested and will be paid out when the improvements are completed. But this group's data includes charitable endowments, school lunch money, bus transportation fees. They are all lumped together in the dramatic numbers Kansas Policy Institute likes to get published, regardless of the specific and sometimes restricted purpose they were collected for.

At the state level, they include all licensing fees and other fees collected by state agencies, commissions, boards, including totally fee funded agencies such as the Board of the Healing Arts, the Board of Technology Professions, and similar boards. Listing these as idle state funds that are available to be spent down to fund the Department of Corrections or the state universities is just wrong and absurd. Fortunately, even the new people and the budget hawks that have been repeating the wild exaggerations of KPI are catching on that this group's numbers are not very credible. Of course the press loves sensational claims and keeps writing stories about how much is just laying around. The truth is the state now takes 20% of even these clearly dedicated licensing fees on the theory that it provides some general and administrative services for such groups and THAT'S probably higher than they really spend.

### **Tax Exemptions and Credits.**

As mentioned last week, Kansas Revenue Secretary Joan Wagnon has been calling for a "fairer tax system" by increasing the number of business activities that create sales tax liability. The Senate committee responsible for tax policy reversed ground and introduced her bill to remove some tax exemptions such as all admissions to events, regardless of whether sponsored by schools, other governmental units, not-for-profit charities, or for-profit businesses, and (2) restoring taxation on repairs or remodeling of real estate.

### **K-12 EDUCATION**

As reported last week, the Governor has called for no further cuts to either K-12 or higher education, because he is supporting a sales and tobacco tax increase to make up the existing \$400 million shortfall for next year. In fact, he included an increase of less than 1.5% in base state aid. Johnson County legislators, probably to no one's big surprise, are split on what to do. Many would prefer an increase in local budget authority to free up the schools to either raise property taxes or sales taxes to replace state base state aid dollars that have been cut back \$14 million in Shawnee Mission. But the details they will vote for vary widely. Some will only support such a proposal if it's tied to a vote of the people at a November general election while some would give locally elected school board members the ability to do so without a mandatory vote. Some want to support the Governor and only vote for local authority if and when it's clear his new tax proposals are dead. Some won't vote for local budget authority unless the schools agree to a new standardized accounting system that's proposed in bills like HB 2239. <sup>1</sup>

Some are saying current ways schools are funded in Kansas is so discriminatory to Johnson County (that's true), that they are willing to repeal it and write an entirely new formula. The reality is that schools here need their legislators to be working on that at the same time they are looking for a short term fix. Some that are saying this believe that Senator Brownback will be Governor at the beginning of next year and that schools will immediately be able to enjoy more local budget authority.

I have pointed out that 30 years history shows that in the first year of the new Governor's term, he or she has replaced all the political appointees not only at the Kansas Department of Education but at Budget and DOA and it would be highly unlikely the Legislature would make major changes in

school finance before the 2012 session. Most have acknowledged privately that I am probably right and that it would not get local budget authority to us until FY 2013. My argument is that our school districts certainly cannot wait until 2013 for relief having been hit with millions in cuts and **already being tied down in the bottom 10% of all districts in total operating budget authority**. There is, however, a lot of hall talk about giving school districts more local control over school funding decisions if their voters want it. SB 385, the Temporary Education Economic Recovery Act, has been introduced on the floor in the Senate. It would give districts the ability to replace locally ALL of the funds they lost from Base State aid cuts the last two years. It is equalized just like LOB authority is for property poor school districts and that fact alone costing \$25-50 million new dollars will probably kill the bill.

Also this week House Education heard from the retiring head of the 2010 Commission about their school finance recommendations. Her group has called for further restrictions on what the state will reimburse schools that have a heavy concentration of high cost special education or children with severe learning and developmental issues (mostly urban schools), and redistributing those funds to all other special education programs (i.e., rurals get more).

<sup>1</sup>Actually most districts would love to only have to follow one set of budgeting rules, but the federal government and even the state government have ALREADY imposed so many rules as to how a budget is to be prepared and presented that the various budget documents that can be found on most USD's web pages are already confusingly filled with different and seemingly inconsistent numbers. The LAST thing they need is to prepare and present yet another "budget" (assuming no one will take the time to also go through and repeal all inconsistent CURRENT requirements).

## HIGHER EDUCATION

Funding for higher education will also be a thorny problem this year. Universities have suffered a 13% cut the last two years and the Board of Regents have produced charts showing that for the first time in over 50 years tuition may be paying more of the costs there than the state is. The Governor did recommend another cash infusion for the Kansas University Medical Center to get NCI designation for its new Cancer Center, but without a major tax increase nearly all the other cuts apparently will stand for another year.

## HEALTHCARE

The endorsements for the uniform statewide smoking ban and a primary seatbelt law seem to be growing rapidly. There is some reason to believe that SB25 may fair better in the House this year than last. The bill may actually be stripped of the casino and nursing home exemptions in the House. It has not been set for hearing however. There is also growing support for reversing the cut of Medicaid provider reimbursement rates made by the Governor in November to balance THIS year's budget. This is critical to hospitals, nursing homes and many other healthcare providers.

## TRANSPORTATION

We are waiting for the introduction of both the funding bills and the policy bills relating to the new comprehensive transportation plans. Therefore there were no developments this week. Leadership on both sides are committed however to try to move this forward rapidly in this session. Clearly a 7

cent jump or an 8% one in fuel price will be a hard sale for any legislator in the eastern tier of counties, where taxes are already lower in Missouri.

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

Shawnee Chamber of Commerce