



## Legislative Affairs News

### LEGISLATIVE AFFAIRS NEWS

Week ending January 29, 2010 | Week #3 |

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

#### **BUDGET ISSUES**

The major issue facing the 2010 legislative session is the resolution of the budget shortfall projected to total nearly \$400 million (and this is after nearly \$1 billion in cuts in the current fiscal year). The Senate this week did pass Senate substitute for HB2222 which is needed to implement the Governors final allotments made in December. Apparently it was put into a Senate substitute so that they could simply have an up or down vote in the House. In related developments, the House Tax Committee reported unfavorably the Governors proposed one cent sales tax increase. In fact, the House was tied up in parliamentary maneuvering to determine whether such a bill would go on the calendar or not. No doubt some wanted to have it remain alive as an option for the future. In any event, it did appear on general orders for one day, was not acted upon, and now has been removed from the calendar.

Next week the Senate Ways and Means subcommittees will hold hearings on the 2011 budgets for Higher Education, Corrections and the Judicial Branch. The House budget committees, conversely, have not yet scheduled hearings for review of recommended department budgets.

#### **SMALL BUSINESS**

Both House Commerce Committee and the Senate Business and Labor Committee have been gathering information on the current state of the unemployment fund in Kansas. Because the unemployment tax trust fund is depleting, even those employers with a positive balance have seen their rates increase by twofold or more. Employers with a negative balance are already paying back debts at the maximum rate. The Employment Security Advisory Council, moreover, is closer to looking at tax rates to see if changes are required. Other thoughts are to put a freeze on benefits which are now tied to CPI or more likely allowing the payment by employers at every 12 months instead of the first two quarters.

#### **ECONOMIC DEVELOPMENT**

Promoting Employment Across Kansas (PEAK), one of the few economic development bright spots last year is amended by HB2538. The original author of PEAK (Rep. Kleeb) introduced this bill to allow for credits for jobs created in Kansas or jobs retained in Kansas notwithstanding acquisition of the business by an out of state company. It also would reduce the threshold to obtain such

credits by using median wage or the NAICS Code Industry average wage rather than the county average wage that had been the case in the bill last year. The bill is now in House Taxation Committee but is not yet scheduled for hearing.

## **TAX POLICY**

House Taxation Committee held a hearing on Thursday on HB2463 that would establish a new joint committee on simplified state tax structure. The stated purpose is to discuss widening the tax base and decreasing the tax rates by using a simplified flat consumption tax or a flat simplified Kansas income tax. It appears that at least some of House leadership have bought into the Revenue Secretary's argument that the whole problem is that we have too many exemptions and exclusions from tax in Kansas. However, the committee is to meet over the 2010 and 2011 interims and of course there will be a major change in administration starting in 2011. In any event, it seems a strange time to be talking about expanding the tax base. One concern is that it could result in a sales tax on services.

## **K-12 EDUCATION**

Our Johnson County Delegation members are trying to come together on several different approaches to restoring some of the education funding cuts. SB21, which would allow use of capital outlay funds for utility bills and health care increases, is scheduled for hearing Tuesday in the Senate Ways and Means Committee. A version has also been introduced in the House. SB385 has been introduced to allow USDs (that choose to do so) to raise the dollars cut from base state aid in local taxes. It has not been scheduled for hearing yet.

## **HIGHER EDUCATION**

The Ways and Means subcommittee commerce agency presentations on the Governors 2011 higher education budget next Friday, February 4th. Public hearings are likely to be the following week.

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