



Legislative Affairs News

LEGISLATIVE AFFAIRS NEWS

Week ending March 5, 2010 | Week #8 |

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

The pace of work in the committees and on the floor has slowed down a lot since the turnaround, and the budget crisis seems to get worse daily. February receipts showed the state is now down \$106 million below estimates made in early November, meaning the state is now projected to be nearly \$500 million short of meeting its known obligations for FY 2011 notwithstanding cuts in projected spending totaling almost \$1 billion since this time last year.

On Friday, the Governor announced further actions trying to shore up the current years budget including taking an additional \$87 million from highway spending, and deferring payments into the state retirement fund. I'm sure he would agree that neither is good policy. In his press conference the Governor said too many tax breaks had been granted in the recent past, and even said the Kansas estate and franchise tax need to be reinstated.

Other significant developments this week included:

SMALL BUSINESS

Sen. Sub for HB2676, which would have made significant changes in unemployment taxes and benefits to try to shore up the states depleted unemployment fund, was debated on the Senate floor on Thursday. At the end of a long afternoon of debate and amendment, the Senate ended up very close to the House version of HB2676 that is, the only significant change in the program is the ability to spread tax payments out through July 31st instead of all being made in the first quarter. This is at least some relief, but there is little doubt overall premiums will have to go up since the state is now borrowing heavily from the feds to pay benefits.

ECONOMIC DEVELOPMENT

HB2538, the amendments to the PEAK economic incentives program adopted last year, was referred to the Senate Commerce Committee. It is scheduled for hearing on Tuesday at 8:30.

TAX POLICY

As stated above, the Legislature is a long way from resolving budget issues which have now grown to nearly \$500 million projected for the 2011 fiscal year. In Senate Tax Committee there is a

hearing on the Governor's sales and tobacco tax proposal (SB516) on Tuesday. The House has already killed the 1% sales tax increase.

House Taxation worked HB2549 on Tuesday, which would repeal many sales tax exemptions. The committee ended up passing out, without making either a favorable or unfavorable recommendation, a bill that would impose tax on purchases by a wide variety of non-profit groups including churches, as well as re-imposing the sales tax on utilities services that has been exempt for over 30 years. Although no one really expects the bill to survive in that form, it moves to the House floor where it will apparently be debated next week. It appears to be primarily an effort by House leadership to demonstrate nothing can be raised by eliminating sales tax exemptions. I cannot otherwise explain leaving purchases by churches taxable. Everyone knows that won't happen.

HB2593 was heard Friday the 26th in House Federal and State Affairs Committee, this bill would impose a wholesale tax on alcohol earmarked for the benefit of community mental health centers and for developmentally disabled support services. That committee is scheduled to work the bill next week. It appears the bill has some chance of passing to debate on the House floor. However, there have been intense lobbying efforts by retail as well as wholesale liquor interests as well as by the mental health and MR communities.

K12 AND HIGHER EDUCATION

The Senate intends no major cuts in the Governor's recommendation for higher education while House leadership is calling for further cuts to help balance the budget. While the House Education Budget Committee has completed its hearings with regard to both higher education and K-12, no one has seen or heard their report as of yet. Therefore the full House Appropriations Committee has yet to take action.

Senate Education Committee once again held hearings Monday on SB359 which moves the threshold for receiving catastrophic aid retroactively for the current school year! This has the effect of course of redistributing the savings through the regular special education formula. The Shawnee Mission School District would lose nearly all of their catastrophic special education aid but it benefits a large part of the state that has few high cost students.

TRANSPORTATION

The Senate Transportation Committee will open hearings on SB498 and SB515, two ways of financing a new comprehensive transportation plan.

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.

Shawnee Chamber of Commerce