



Legislative Affairs News

LEGISLATIVE AFFAIRS NEWS

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

Senate Ways and Means Committee has now assembled SB556, its 2011 budget bill, by tentatively approving \$100 million in budget cuts which do not cut Higher Education or K-12 base-operations funding education further. Even with \$100 million in reductions, the Senate's 2011 budget bill (SB556) is over \$300 million short of balancing expected revenues against expenditures. Senate leadership has directed both the tax and budget committee chairs to find new revenues to raise \$300 million.

The House Budget committee charged with Education and higher education will adopt their final report Monday afternoon and it's been scheduled for action Wednesday morning in House Appropriations. We'll get our first look at what additional cuts the House Speaker is planning in education and higher education funding, but it has to be near \$300 million unless he has reversed course on tax increases.

PEAK JOB INCENTIVES

Hearings on HB2538 (expansion of PEAK incentives) were held Tuesday in the Senate Commerce Committee. We have heard that the Governor will veto the bill if the fiscal note is not significantly reduced. The discussion is centered on trading HB2538 for changes to the Business and Job Development income tax credit (B&J). The B&J credit was heavily criticized by a recent Legislative post audit (LPA) report. B&J credits totaled \$11.3 million in FY2007. HB2538 carries at present a \$6 million fiscal note.

TAX ISSUES

SB516, which contained both tobacco tax increases and sales tax increases, saw some action in the Senate Assessment and Taxation Committee. On Tuesday the committee Chair said they would separate the tax rate increase on tobacco products portion into Sen. Sub. for HB2388 and heard proponents and opponents of the tobacco portions on Tuesday and Wednesday. The committee then took up the sales tax portions of SB516 (the one cent increase in tax per dollar). Opponents will be heard this coming Monday.

HB2593, which would impose an increase in wholesale wine and spirits tax earmarked for community mental health centers and developmentally disabled support services, failed to pass House Federal and State Affairs Committee despite intense lobbying efforts. It would have raised taxes by \$21.8 million and draw down \$19.7 million in federal matching funds.

On Tuesday the Senate Tax Committee will hold hearings on its non-earmarked tax and liquor enforcement tax rate increases (SB569) and on Wednesday it will hold hearings on imposing a new tax on sweetened beverages and concentrates (SB567). It is also said to raise taxes over \$20 million. It is a very broad bill first introduced in California.

House leadership had signaled the House would move HB2549 to General Orders for discussion, amendment and debate this week, but it was again delayed. This is the sales tax exemption removal bill. As you will recall, the main revenue raiser (about \$180 million) in that bill now is reinstatement of sales tax on users of utilities. House Leadership planned to run it up and kill it but obviously can't find the votes. Clearly one reason is that many wanted such a bill up for action and NOT because they wanted to pass the bill as it stands. Leadership was not excited about the flurry of amendments either to repeal or add exemptions they would have had to deal with.

On Monday, Senate Ways and Means have scheduled hearings on SB476, the Senate's version of HB2549, the original Secretary of Revenues' recommended sales tax exemption repeal. The Senate Tax Committee earlier had refused to even introduce her bill, so that's why it is in Ways and Means.

K-12 AND HIGHER EDUCATION

Senate Ways and Means approved its appropriations bill (SB556) which reduces the Governor's recommendation only by the \$10 million enhancement the Governor recommended for all post-secondary education in FY2011. K-12 funding reductions were in programs not included in the school finance formula (e.g., parents as teachers is put into competition with other early intervention programs with tobacco settlement money, a/k/a the Children's Initiative Fund). However, even with these cuts, the Senate's budget has left receipts and expenditures over \$300 million out of balance.

TRANSPORTATION

The Senate Transportation Committee this week opened hearings on SB498 and SB515. They both would implement the multi-modal transportation improvement program recommended after the T-LINK hearings held throughout the state last year. The program is now named the Transportation works for Kansas program. The only difference between the two bills is that SB498 is funded by an increase in motor vehicle fees, registrations and an increase in the fuel tax rate starting January 2013, whereas SB515 actually reduces the gas tax by \$0.05 per gallon to begin with and subjects motor fuels to the state and local sales tax as of January 1, 2013.

The bills both contain not only substantial new funding authority, but allow KDOT to bond 18% of its cash flow, combine it with the Build America bonds program, and allow KDOT to partner with local communities to include other financing options. The latter permits local communities to use tax increment financing, community improvement districts or tax development districts to partner with KDOT for financing purposes.

HEALTHCARE

HB2673, imposing a "quality assurance fee" on skilled nursing facilities statewide, was heard in House Appropriations this week. Proponents claim this is the only way to alleviate the 2010 cuts in Medicaid support for that industry. There are winners and losers, largely dependent on the ratio of Medicaid to private pay.

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