



## Legislative Affairs News

### LEGISLATIVE AFFAIRS NEWS

End of the First Session | April 1, 2010

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

The Legislature adjourned shortly after midnight, March 31<sup>st</sup> until April 28, 2010, with no budget passed in either chamber for the year commencing July 1<sup>st</sup>. State departments, universities and school districts across the state have no idea what their budgets will be starting July 1<sup>st</sup>.

However, the session was productive in some important areas:

#### **ECONOMIC DEVELOPMENT**

The passage of the PEAK new tax incentives jobs program is the highlight. Although capped at a maximum \$4.8 million and subject to the discretion of the Department of Commerce as to who will receive the benefits, this could be used for any job creation by any size business in Kansas not eligible for any other incentives. Since H.Sub. for HB2538 passed by a 100-20 vote in the House and a 40-0 vote in the Senate, it is highly likely it will be signed into law while the Legislature is at home and will be effective July 1<sup>st</sup>. The only exception is that jobs created by existing Kansas businesses cannot be compensated until calendar 2012. To help balance the fiscal note, the bill eliminates business and job income tax credits in the six urban counties including Leavenworth, Johnson, Douglas, and Wyandotte. The new incentives also cannot be used in tandem with HPIP or IMPACT grants which are still available for largely enterprise investments.

A conference committee report (SB430) with regard to limitations on angel tax credits also passed both Chambers and went to the Governor. This bill also contains the restoration and strengthening of historical preservation tax credits.

#### **BUDGET**

The Senate has yet to find any acceptable tax or other source of revenue to plug about a \$300 million shortfall in its proposed budget and the House hasn't found the votes to pass a budget that reduces spending by that much. Thus the major issue facing the Legislature is unresolved. In the second 2010 legislative session starting April 28<sup>th</sup>, there will either have to be either dramatic cuts in funding levels for education such as the House has proposed, or some type of additional increase in tax passed by both chambers and signed by the Governor. House Democratic leaders this week called for an increase in upper bracket income taxes, which of course falls heavily on unincorporated small businesses.

## TRANSPORTATION

The Senate Transportation Committee on March 31<sup>st</sup> passed and sent to the Senate floor in SSub for HB2640, a \$2.7 billion Transportation works for Kansas multi-modal transportation plan which contains a 3/10<sup>th</sup> cent increase in sales tax as well as the full bonding program proposed by the department. Effectively this probably sets the high water mark for transportation plans this session at about \$1 billion less than what the department had hoped for. The plan has not been debated on the Senate floor as yet. It certainly will be during the second session. The House version of this bill only incorporates what the department felt was necessary to maintain and repair existing roadways during the next three years, but it has passed the full House 122-0.

## HEALTH CARE

Another significant development this week, the Senate on its last day voted down and returned to committee a bed tax on all skilled nursing home beds in the state with a vote of 21-13. This measure was sent back to Senate Ways and Means Committee with no clear directions as to what to do. The Chair and other Republican Senate leaders wanted it to pass and the House budget assumed it would pass.

There has been a significant schism in the nursing home industry with most of the for-profit chains in Kansas supporting this as a means to restore and actually improve upon their Medicaid reimbursement rate by drawing down more 70% match money as some 30 other states have done with such a provider tax. However, most not-for-profit nursing homes oppose the tax.

Interestingly, in our area and other urban and suburban areas there are continuing care retirement communities whose main purpose is to translate residents' home equity and savings into a guarantee that no one will have to go on Medicaid. This tax seems particularly unfair to them, but the proponents of this measure claim that no such class can be exempt from the tax even those that would derive virtually no benefit, or a federal waiver to access the federal match dollars will be impossible. This issue will be again hotly debated on both sides during the wrap-up session in May.

## HIGHER EDUCATION

Proposed budgets for 2011 on both sides were relatively good for higher education. Even though they do not restore the severe cuts taken by the Regents institutions for the year that will end this June 30, both budgets do continue the funding of the med center's NCI designation. The problem of course is that neither chamber has debated their measures and, as we all know, priorities can change drastically when the state finally tries to close its budget shortfall. The alternative Senate budget plan requires a significant tax increase and thus far its revenue measures have not passed any committee in the Senate.

## K-12 EDUCATION

Significant reductions in spending last year are only beginning to be reflected in the classroom as school districts prepare for the FY2011 year (the 2010-2011 school year). The prospects for

avoiding layoffs of teachers and significant increase in class size is fairly bleak. Most of the legislative action in the first session dealt with school districts fighting over the limited resources available.

SB359 narrowly passed both chambers on the last day. This measure strips away retroactively funding for high cost special education students in the three large Johnson County school districts but restores the rate of regular special education funding which supports special education teachers and cooperatives in rural and urban districts across the state. On the plus side, it only caps the threshold at which such expenditures begin to be reimbursed at \$36,000 per pupil. The measure will remove about \$6 million in funding that Johnson County school districts had been planning on to complete 2010, which when added to over \$25 million in cuts which are already underway, will certainly hurt. The Senate Education conference committee still has yet to act on HB2704 which would allow Johnson County schools to receive the tax they levied on motor vehicles, as well as making easier the consolidation of rural school districts.

There are substantial measures still remaining both in education conference committee and in House committee that would bring down the very high cost of low enrollment weighting for the long term, as well as HB2739, HB2587, HB2647 and other measures that would provide significant local budget authority that would allow school districts to restore some of the reductions in state support with more local autonomy. Debate of these measures is still up in the air, but the Johnson County districts have some hope.

There were also 49 votes in favor of an amendment to 2689 two weeks ago on the House floor that would have allowed school districts with county commission action to levy a quarter cent sales tax for funding of schools. This amendment, offered by Lance Kinzer of Olathe, probably might have a chance of passage in the veto session. All 22 of the Johnson County House members and a number of rural Republicans and Republican leaders were on board.

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