



Legislative Affairs News

LEGISLATIVE AFFAIRS NEWS

Week ending January 15, 2010 | Week #1|

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

The 2010 Legislative Session commenced with Governor Mark Parkinson's first State of the State address to a joint Senate and House meeting Monday night. [Click here to view the State of the State address.](#) Even those legislators who didn't like much of what he had to say agreed that it was very impressive he'd given it with no teleprompter or notes, and clearly he was speaking clearly and passionately. He said it was impossible to reduce budgets by \$400 million on top of \$1 billion already cut without causing serious harm to many vital programs and responsibilities of the state.

Instead he proposed meeting the projected shortfall with a one cent (1%) increase in state sales tax for three years, plus an increase in tobacco tax from \$0.79 per pack to \$1.34 per pack. He stated he would consider other revenue sources or tax exemption adjustments, but no spending reductions of that magnitude. In fact he budgeted for restoring the 10% cut in Medicaid providers' rate and adding an increase of \$50 per student in base state aid for K-12.

The Speaker's response which was delivered by a recording made before that evening indicated just as clearly that Republicans would not increase taxes in the middle of a recession. He added that he was sure substantial reductions could be made. The two leaders are poles apart in both their analysis of the effect of further reductions and the way to close the budget gap. Senate Republicans also said it was too much of a tax increase, and a bad idea in a recession.

Tax Exemptions and Credits. If you have followed news reports about the calls of Kansas Revenue Secretary Joan Wagnon for a "fairer tax system" by increasing the number of business activities that create sales tax liability, you might wonder why the Governor didn't mention that much. On Thursday the Revenue Secretary addressed both House and Senate Taxation committees, asking for introduction of legislation (1) imposing sales tax on 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. Bills were formally introduced in the House Committee on a voice vote, which is certainly normal protocol. **However, the Senate Tax Committee actually voted down the introduction of her legislation, something that almost never happens, especially at the request of a cabinet secretary!**

Senate Committee Republicans said was already before the House Committee, it was too much, or thought it was a bad idea in a recession. The increased sales tax of 1% may meet the same fate. Rank-and-file Democrats as well as Republicans are particularly worried about raising sales taxes on fixed income, unemployed and low income families.

HEALTHCARE

As mentioned above, the Governor strongly called for a uniform statewide smoking ban. Interestingly, the House Health and Services Committee Chair, although continuing to say she personally opposed such a ban, did suggest that if casinos were not exempted, she would allow free and open discussion.

The Governor also called for reversing the cut of Medicaid provider reimbursement rates he had to make in November to balance THIS year's budget. This is critical to hospitals, nursing homes and many other healthcare providers.

K-12 AND HIGHER EDUCATION

No doubt the struggle between revenues and further cuts will largely focus on education which is 67% of the general fund budget. As stated above, the Governor's call for no further cuts and in fact a \$50 per pupil increase in base state aid was, met with emphatic rejection by the House Speaker.

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). There is also a lot of hall talk about giving school districts more local control over school funding decisions if their voters want it. I am certain such a bill will be introduced in both houses in a few days and will widen the debate further.

New Education Lawsuit. Raising the boiling level still further over the budget and education funding issues, on Monday news sources reported that (1) Wichita had joined the group seeking to reopen the school finance litigation and (2) the litigation papers had been filed. The impact was immediately dramatic. Speaker Mike O'Neal and Rep. Kevin Yoder both made public statements blasting the inappropriateness of spending hundreds of thousands of dollars of taxpayer money to sue the State. In fact, a constitutional amendment was introduced in the Senate by a Wichita representative, with the intention of barring any such use of public money.

Next week, both House Education and Senate Education hold hearings Wednesday on the Kansas Math & Science Academy and on Thursday Senate Education hears about 2010 budget impacts on all Kansas k- 12 education from five representative school superintendents, including Dr. Thomas Trigg of Blue Valley.

TRANSPORTATION

The Governor's revenue increase proposal on the 11th reverses the sales tax and other highway fund measures that were adopted to prop up the state general fund the last two years. As you may recall, the Interim Transportation Committee held its last meeting January 4th and recommended two different highway finance plans presented by KDOT. Most talk has centered on the one that would reduce the current motor fuel tax by \$0.05 but subject motor fuels to state and local sales tax after 2013. The other plan would increase motor fuel tax by \$0.07 per gallon plus index the tax for the future to the consumer price index beginning 2013. Both plans yield about \$4 billion worth of revenue.

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.

Shawnee Chamber of Commerce