

**LEGISLATIVE E-REPORT  
LEAGUE OF WOMEN VOTERS OF KANSAS**

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Paul Johnson – May 4, 2012

**VETO SESSION SCRAMBLE – PART 2**

The political scramble between Republican moderates and conservatives continues to worsen as the Democrats watch from the sideline. It is very unclear when this veto session may end. The State budget is slowly coming together but significant differences will have to be compromised between the Kansas House and Kansas Senate. By extending the reduction in income tax rates, a tax reform deal may have been reached with a promise of less revenue loss in future years. The true blood sport under the dome is redistricting and the future political control of the Kansas Senate. It is possible no compromise can be reached but the political clock - on candidate filing deadlines and the August primary - continues to tick. This 2012 Kansas Legislative session may well leave bitter and long lasting political grudges for years to come.

The Senate version of the 2013 State budget has been completed. The House Appropriations committee has completed their budget but this budget has not been debated on the floor of the House. Once this House floor debate happens early next week, the two versions will have to be reconciled and passed before this legislative session can end. There are substantial differences over extra funding for public schools, maintaining level funding for certain children's programs, foster care contracts, reducing waiting lists for the disabled and state employee pay increases. Property tax reduction for local governments is included in the Senate budget reflecting the compromise in the tax reform bill. The House – Senate appropriations conference committee will have to work to split these differences to find a compromise that can pass both the House and the Senate. The 90<sup>th</sup> day of this legislative session is next Friday – May 11. It seems more and more uncertain that the Legislature can reconcile the State Budget, pass tax reform and finish redistricting in just five days.

The tax reform deal was finalized by the four Republicans but rejected by the two Democrats on the tax reform conference committee. This tax bill reduces Kansas' three income tax brackets to two with the top bracket decreasing from 6.45% to 5.9% while the lower bracket for income under \$15,000 (\$30,000 for couples) drops from 3.5% to 3%. The top bracket is scaled back to 4.9% over five years. Non-wage individual income tax by limited liability corporations

(LLC's), subchapter S corporations and sole proprietorships is eliminated for income under \$100,000 next year. Over five years, all of this non-wage income tax will be eliminated costing Kansas \$164 million annually. (Note: 191,000 tax filers file this non-wage income. There is little data to prove these filers live in Kansas, are just passive investors in commercial developments or are special tax havens by very large corporations – think Koch, Industries.) Low income tax filers will have to choose between the Kansas' Earned Income Tax Credit or the food sales tax rebate – which ever is the highest. Political pressure was brought by advocates to bring back the childcare and dependent care tax deduction.

Right now, the scoring of this tax bill shows a drop in ending balances to the Kansas' State General Fund from \$680 million in 2013 to \$165 million in 2018. This \$680 million ending balance does not factor in the increased spending for schools and social services passed by the Senate. This revenue projection assumes a savings in Medicaid of \$367 million over five years by implementing the private, managed care health plans of KanCare. KanCare will have to be accepted by the U.S. Department of Health and Human Services in very short order to be able to start KanCare by January 1, 2013. This is such sweeping reform to cover all 90,000 Medicaid disabled and elderly clients in managed care plans that projecting \$367 million in savings is speculative at best. This tax bill has no claw back clause so if the reductions in income tax do not generate extra economic development and more sales tax, the income tax reductions cannot be readjusted. By eliminating individual income tax on 'non-wage' income, Kansas is burdening wage earners to fill this revenue loss through more regressive sales and property taxes. This tax gamble will put adequate education funding, social services and public safety at risk.

The redistricting battle has become brutal. Breaking with precedent - where each chamber draws its own map -, the Kansas House is set to draw a Kansas Senate map starting Monday. The Kansas Senate map that did pass 21 to 19 merges two western Kansas Senate districts, adds a district in Johnson County and attempts to change existing districts very little. The Kansas House map of the Senate districts will not collapse the two western Kansas districts but will fundamentally change districts of moderate Senators and virtually guarantee fewer Democratic State senators. The passed Kansas Senate district map had 13 Republican and 8 Democratic votes but the Governor is demanding the Senate map have 21 Republican votes. This stalemate could last a long time. May 10 is considered the final date to pass the Legislature and the Governor's office in time for review by the Kansas Supreme Court to keep the June 1 filing deadline and the August 7 primary. If a compromise cannot be reached, the Kansas Attorney General may have to go to the Kansas Supreme Court to solve this impasse. This is uncharted territory and various legal experts differ on the process. Stay tuned!

This legislative session is grinding to some type of finish. Today was the final day for secretarial support in the offices of lawmakers. There is a 90-day limit on legislative sessions in even number years so extra funds would have to be allocated if this session goes beyond May 11. If this redistricting mess brings this legislative session to a halt, the Governor may have to use a special session to finish the budget and enact tax reform. Hard to believe that average voters in Kansas will not take notice and express some outrage in the coming elections.