

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

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**2012 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #21**

Paul Johnson – May 25, 2012

**2012 KANSAS LEGISLATIVE SESSION SINE DIE**

The final ceremonial gavel for this historic legislative session will come down on June 1. **The Governor signed the mega-tax cut bill and the gamble is on.** The belief by the Governor and conservatives is that reducing and eliminating some income taxes will generate enough new revenues to offset losses from this tax bill. This belief will be tested soon as the projection for the **2014 State budget is \$303 million in the red.**

The mega-tax bill had a direct impact on the 2013 State budget as few previous budget cuts were restored and a large ending balance was necessitated in preparation for the lower income tax revenues in 2014.

**The redistricting battle ended in an impasse with Kansas being the only state in the country unable to find consensus on the district maps.** The redistricting of Congressional and legislative districts will be done by federal judges.

**The mega-tax bill is now law.** The existing three-bracket structure for individual income taxes (3.5, 6.25, & 6.45%) is **collapsed to a two-bracket system of 3 & 4.9%.** The bill totally **exempts certain non-wage** individual business income tax reported by limited liability corporations (LLC's), Subchapter-S Corporations, and sole proprietorships. (Note: Kansas has 191,000 such filers now. Tax experts predict an increase in such filings as individuals incorporate and move income from salaries to non-wage income. By next April, wage-withholding amounts will be reviewed. Kansas is the first state with such a dramatic change.) The Senate Committee of the Whole increased the Governor's initial tax proposal by reducing the state sales tax from 6.3 to 5.7%, removing the proposed repeal of itemized deductions (mortgage deduction being the most important) and increasing the standard deduction of joint filers. This mega-tax bill from the Senate was intended to be a bargaining position with the House tax bill. Procedurally this Senate tax bill had been substituted for House Bill 2117. That gave the House the opportunity to just concur with the changes and send it on to the Governor for his signature. The first vote on this mega-tax bill was a 20 to 20 tie which meant it failed. **The Senate leadership pressured certain**

**members to change their vote with assurances this was just a bargaining position with the House and it than passed 27 to 12.** It was reckless to pass a substituted House bill and Senator Anthony Hensley correctly predicted the House would take the option to just concur with this tax giveaway gift.

**The revenue consequences are immediate.** For 2013, the loss is \$231.2 million. In 2014, that revenue loss jumps to \$802 million and the loss increases to \$933 million in 2018. The ending balance for the 2013 budget is \$497 million. For 2014, the ending balance is a negative \$303 million – an \$800 million balance is a deficit of \$2.96 BILLION! These projections are built on an assumption of revenue to Kansas growing 4% annually. **The Governor has assured Kansans that lower income taxes will generate significant new development via new jobs that will increase individual income taxes and more sales tax. [See Bernie Koch’s calculations below—says each new job would have to produce and increase of \$08,000+ in TAXES to make up for this cut]** The Governor has promised that he will find more savings in governmental spending.

**The simple reality is that a few government programs account for 85% of the budget**

- 50% to public schools,
- 15% to higher education,
- 20% to social services – primarily health care – and
- 15% for all other services such as prisons & highways.

Unless this gamble on increased economic development and associated new revenues materializes, reversal in two years. By 2018, the ending there is a structural deficit and decline built into state budgets for years to come. No telling what happens if the world economy along with the United States fall into a second recession and revenues collapse as they did in 2008, 09 & 10. Kansas will have no ending balance or rainy day fund to balance the losses.

The mega-tax bill had a profound impact on the 2013 budget.

- The restoration of base state aid per pupil to public schools was whittled down to \$40 million thus increasing aid \$60 per student (\$3,780 to \$3,840). In 2007, the per student base aid was \$4,400.
- Local property tax relief of \$45 million was eliminated.
- A 1% increase for executive branch state employee salaries - costing \$9 million - was deleted. Such employees have gone four years with no salary increase.
- The longevity bonus pay for eligible state employees was reduced from \$50 to \$40 for each year of service.

- However, \$3.6 million was added to cover a few more developmentally and physically clients.
- \$5 million was added to the state mental health block grant that serves the uninsured at community mental health centers. (Note: this grant is now \$15 million compared to \$30 million in 2007.)
- The Local Environmental Protection Program (LEPP) was retained with \$800,000 from the State Water Plan. Overall, expenditures from the State Water Plan will fall from \$16.8 million in 2012 to \$14.9 million in 2013. The 2013 State budget is \$14.3 Billion down from \$14.75 Billion in 2012.
- The Kansas Legislature added just \$46 million to the Governor's proposed state budget. Full time employees numbered 39,149 in 2012 while in 2013 the number is down to 38,842.

**Redistricting is now in the hands of the federal district court.** Hearings are scheduled for May 29 and 30<sup>th</sup>. The number of interveners is near 27. The federal court will decide both the Congressional and state legislative district maps. The Kansas Supreme Court will not be a player in deciding maps. 'Overseas Kansas' voters must have their ballot 45 days ahead of an election by federal law so the mailing deadline for an August 7 primary would be June 23. It seems likely that these federal district court judges will choose the district maps soon after the May hearings. It is possible that the candidate-filing deadline of June 11 may be pushed back a week or so. The Kansas House map is pretty settled. The key decision over the Kansas Senate map is whether two existing Senate districts (either in Western Kansas or Southeast Kansas) will be collapsed together or not. The last Kansas Senate map that passed 22 to 17 did collapse two districts. Whereas the Kansas' House and Senate district maps vary by up to 5% in population, the Congressional districts cannot vary in population at all. The federal court may not allow the 5% variance in state legislative districts given a U.S. Supreme Court ruling so that would clearly impact western Kansas. To this point, the Kansas Legislature has not agreed to a different method to redistrict.

### **KANSAS FOOD SERVICE AND LODGING ACT KANSAS MEAT AND POULTRY INSPECTION ACT**

Senate Sub. for House Bill 2730 amends various sections in the Kansas Food Service and Lodging Act, and the Kansas Meat and Poultry Inspection Act. On the food service and lodging act, this bill consolidates definitions and penalties into one section of law. Allows the Secretary of Agriculture to impose a \$1,000 fine per violation after providing an opportunity for a hearing. This bill establishes application fees and annual license fees for each food establishment and food processing plant.

This act adds new sections and amends existing sections in the Kansas Meat and Poultry Act. The Secretary is authorized to prescribe, through rules and regulations, the process by which an establishment may request a change in its

work schedule. The Secretary is authorized to prescribe rules and regulations for the examination and inspection of methods by which livestock, domestic rabbits or poultry are slaughtered. Custom slaughter and preparation are subject to the humane slaughter and humane handling provisions of this bill. Kansas has 42 state inspected meat processors that can sell meat retail but only in Kansas. Kansas has 48 custom meat processors but this meat cannot be sold retail.

## **Kansas Economic Progress Council Newsletter by Bernie Koch (speaker at League Day)**

### **2012 Kansas Legislature Tax bill will likely bring California-style budget crisis**

One of the most difficult legislative sessions in Kansas history ended Sunday evening with the passage of a \$14.3 billion Fiscal Year 2013 budget and a promise by Governor Sam Brownback to sign the “nuclear option” tax cut bill currently on his desk.

The KEPC Newsletter further states

- **NO OVERSIGHT FOR KANCARE-** The House failed to pass a bill requiring a KanCare oversight committee.
- **TAX CUT BILL -** In the final days of the session, the Kansas Department of Revenue produced a “dynamic scoring” analysis of the TAX CUT BILL that estimates the State will add 23,000 new jobs by 2020 as the result of the bill--but calculations show it would take **each new job** generating additional tax revenue in ONE YEAR of **\$108,695** in order to eliminate Ks shortfall by FY 2018. Almost any reasonable calculation indicates that is not possible.
- **HUGE EDUC. CUTS IN THE FUTURE-**The state budget faces enormous budget cuts in future years that will damage education and other state services.
- **KANSAS BOND RATINGS ZAPPED -** The financial publication Bloomberg warned recently that cutting income taxes may hurt the state’s bond ratings. Moody's said, *“The outlook for the state of Kansas is negative, in view of the state’s general fund balance depletion...”*

***“...because a tax cut never filled a pot hole, put out a fire or taught a child to read.”***

Click here to read this KEPC report: [http://ksepc.org/2012/05/session\\_ends/](http://ksepc.org/2012/05/session_ends/)

## **KANSAS ACTION FOR CHILDREN UP DATE**

Another legislative session has come to an end. With the help of supporters like you, Kansas Action for Children and our partners have achieved a number of hard-fought victories.

- The Earned Income Tax was saved from elimination.
- The Children's Initiatives Fund received \$56 million in tobacco settlement monies, as recommended by the Kansas Children's Cabinet.
- Private donors and charitable organizations will now be able to contribute to parents' KIDS college savings accounts.

While this is remarkably good news, it is somewhat overshadowed by the tax package (Senate Substitute for House Bill 2117) that Gov. Sam Brownback has indicated he will sign this week. The tax package will eliminate credits for food sales tax, child and dependent care and adoption, and the homestead refund for renters.

The Kansas Legislative Research Department estimates this will produce a \$2.5 billion deficit in 2018, making it difficult – if not impossible – for the state to adequately fund public education, public health insurance and other vital services. We believe this bill will be damaging to the next generation and the long-term growth and prosperity of our state, so we will asking you to stand with us again next year as we work to ensure children remain a priority at the Statehouse.

Finally, it is with great sadness that we say goodbye to Rep. Bob Bethell, who died Sunday night in a car accident on his way home from Topeka. He has been a voice for those without a voice in the legislative process for more than a decade. Children, the elderly, the poor and medically underserved lost one of their strongest allies yesterday.