

BRUNO & ASSOCIATES

L e g i s l a t i v e U p d a t e

GOVERNOR PROPOSES BUDGET FIX

SENATE LEADERSHIP TALKS TAXES

Governor Mark Parkinson put forward his plan this morning to balance an unexpected \$106 million hole in the current fiscal year's budget by, among other things, reducing work on Kansas' highways and roads throughout this year and next.

"I have said, time and time again, that there are no great options left to balance the budget. Having already cut more than \$1 billion from state spending, every option I have left will harm state programs. However, facing an additional \$106 million shortfall with less than four months left in the fiscal year, I am compelled to act.

"A strong infrastructure is critical to our ability to move goods and services to market; and maintaining our roads creates hundreds of potential jobs and millions of dollars in economic activity throughout Kansas. With this in mind, we must work together towards a solution that would recommit our state to a reasonable transportation plan.

"In the meantime, we cannot balance the next budget or protect our schools, public safety and safety net services without new revenue. I look forward to the Legislature to coming to the table, putting politics aside, and raising the revenue we need to get Kansas back on track."

Administration officials will make a series of cuts, transfers and adjustments to net at least \$52 million; a detailed description of administrative steps is attached. The remaining \$54 million will require legislative action; therefore, Governor Parkinson has asked the legislature to do the following:

- Transfer \$28 million from the highway fund to the State General Fund. This action will require the Department of Transportation to cancel nearly all maintenance projects that have yet to be started in 2010 and 2011.



- Pass HB 2130, primary seatbelt legislation. This action will produce \$10 million in federal funds.
- Implement a moratorium on KPERS death and disability payments for the last quarter of FY 2010. This action will produce \$12 million in available resources while keeping the fund solvent.
- Pass legislation to codify the Insurance Commissioner's equal treatment of Kansas' three Medicaid HMOs. This action will produce \$4 million.

A complete list of the governor's proposal is at the end of this document.

House Speaker Mike O'Neal responded to the Governor's budget balancing plan during his budget press conference. "I respectfully disagree with Governor Parkinson's statements today blaming Kansas' business friendly tax policies for the state's deficit. Kansas has a spending problem, not a revenue problem. Contrary to the Governor's assertions, the state budget crisis is not the taxpayer's fault. Before enacting massive tax increases that will damage our economy and put more working Kansans out of a job, state government should take a lesson from Kansas families and learn to live within its means."

House Speaker pro-tem Arlen Siegfried, R-Olathe, said this afternoon he's disappointed with the governor's budget-balancing plan and assault on the Legislature.

"The governor has received a lot of bipartisan praise for being a balanced leader. I didn't expect him to resort to class warfare today," Siegfried said. "We can disagree on the merit of his proposal—but to spend the bulk of his time today chastising the Legislature was not a productive development."

Four of the six measures in Parkinson's \$85 million FY '10 budget-balancer require legislative action. Parkinson said much of the state's current budget problem was caused by years of the Legislature pandering to the wealthy and big business through tax cuts which reduced the state's revenue base. "The plan he's submitting is almost wholly dependent upon legislative action. Launching a blistering attack on the wisdom of the body was not the way to begin a constructive dialogue on solving this problem," Siegfried said.

House Minority Leader Paul Davis, D-Lawrence, who had been briefed on Parkinson's budget-settling plan, said, "The governor again is having to do the Legislature's dirty work. There isn't any leadership on budget issues from House leadership."

Senate President Steve Morris at his press conference today, stated that to address the nearly \$400 million shortfall, he anticipates a plan that will include around \$100 million in adjustments with \$300 million needed in new revenue that could be realized from some combination of:

- 1) Removing some existing sales tax exemptions
- 2) Increased tobacco and/or liquor tax
- 3) Increased in sales tax
- 4) Nursing home provider tax that would allow the state to access more Federal dollars

The budget fight will begin to peak this coming week as the Senate Ways & Means Committee and the House Appropriations Committee debate their FY 2011 budgets. The committees are scheduled to work their respective bills late in the week and floor action coming the week after.



House To Debate Sales Tax Exemption Repealer Bill

House Speaker Mike O'Neal also commented on tax proposals. "House Leadership is committed to having a free and open debate on tax policy in Kansas, and House members that believe we should raise taxes on Kansas families will have a chance to express that desire on the record. The debate on taxes is a crucial step in determining exactly where House members stand. While I question the appetite of even members of the Governor's own party for a massive tax increase, the debate and vote will enable the House Appropriations committee to finish their work on a responsible budget."

The bill, [HB 2549](#), (explanation of the bill [here](#)) which would repeal the state sales tax exemptions on residential utility bills, churches and a variety of other specific items, is currently expected to be debated on Wednesday. The House Taxation Committee passed the bill out after two amendments were adopted to retain the sales tax exemptions for non-profits and on repair services of tangible personal property earlier this week. Most expect the bill to either fail or get sent back to committee after the House floor debate. Many insiders have commented that debate on a tax increase bill at this time is not indicative of what the final outcome on the tax debate will be this session.

Key Legislative Dates (revised)

Monday, January 11

First day of Session.

Wednesday, February 3

Last day for individual legislators to introduce bills.

Friday, February 5

Last day for Committees, except exempt committees, to INTRODUCE bills.

Saturday, February 20

Last day to CONSIDER BILLS IN HOUSE OF ORIGIN, except for exempt Committees.

Wednesday, March 24

Last day to CONSIDER BILLS NOT IN HOUSE OF ORIGIN, except for exempt Committees.

Tuesday, April 6

End of Regular Session.

Wednesday, April 28

Veto Session Begins

-END-

Governor Parkinson's FY 2010 Budget Balancing Plan
 March 5, 2010
 (Dollars in Millions)

State General Fund Tax Collection Shortfall Through February	\$	(106.0)
February Income Tax Refunds Paid Faster Than Expected		15.0
<i>Through February, electronic individual income tax filings are 50,000 higher than last year, which means refunds have been paid out more quickly than estimated. Fewer refunds will be paid in March and April.</i>		
Large Corporate Use Tax Refund Paid Earlier Than Anticipated		6.0
Revised Shortfall	<u>\$</u>	<u>(85.0)</u>
Lower Medicaid Clawback Payments		16.0
<i>The federal government has announced that for a limited period, the Medicaid Clawback that all states pay will be reduced.</i>		
** Managed Care Privilege Fees		4.0
<i>Managed care organizations operating in Kansas will begin paying a 1.0% privilege fee to operate in Kansas. A similar, temporary, action is already in place by action of the Insurance Commissioner.</i>		
Temporary Assistance to Needy Families Savings		15.0
<i>Actual spending for TANF has been less than expected and the savings can be redirected to the State General Fund.</i>		
** One Quarter Moratorium to KPERs Death & Disability Fund		12.0
<i>The state pays 1.0% of employee salaries into this fund; with idle balances in the Fund, a moratorium on payments can be put in place for the last quarter of the fiscal year without jeopardizing any disability or death benefits.</i>		
** Passage of Primary Seat Belt Law		10.0
<i>Once this law is passed, Kansas will receive \$11 million from the federal government; \$1 million of the payment must be spent on safety programs, but the remainder may be used to help the state's budget.</i>		
** Highway Maintenance Lettings Stopped and Savings Transferred		28.0
<i>KDOT will cancel \$87 million of highway maintenance projects that had been planned for letting in this fiscal year. \$28 million of which will be realized in the current fiscal year.</i>		
Recommendations to Address Shortfall	<u>\$</u>	<u>85.0</u>

**Requires Legislative action