



March 30, 2011

Community Bankers Association of Kansas Legislative Update

Overview

Saturday, April 2 will bring to an end the 2011 regular session of the Kansas Legislature. Almost all the bills up for debate during the session need to pass both chambers by Saturday. Some bills may stay alive until the veto session, but there are not many of those other than the budget, tax policy, and some other key issues.

The Legislature will adjourn on April 2. The consensus revenue estimating group will meet in mid-April to make estimates on the next 18 months of state revenue collections. About April 20 the two budget committees will return to Topeka to use those estimates to finalize the budget for next year. The full Legislature will return on April 27 for the beginning of the veto session. The veto session can last an indefinite length of time. Given the budget situation, it is anticipated the veto session could last many, many days.

Budget Update

Current Year Budget

The current year budget bill is done following the Governor's allotments in early March. The Governor's current year allotments essentially followed the budget he had recommended at the beginning of the session and reduced K-12 funding by \$50 million in order to leave an ending balance in the state budget on June 30, 2011.

FY 2012 Budget Process

The Senate is debating its version of the budget bill (Senate Bill 234) on March 29 and it should pass the full Senate. The Senate budget essentially confirms the Governor's FY 2012 recommendations. The full is scheduled to debate its budget bill (House Bill 2383) on Thursday, March 30. There is some question as to whether the House has the votes to pass out its budget bill. The conservative Republicans want to make additional budget cuts while moderate Republicans and Democrats will likely not support the bill that cuts beyond what the Governor recommended. The House budget bill cuts deeper than the Governor's recommendation, taking \$157 million from K-12 education, and includes across the board funding cuts for some agencies, increases fees on some state employees, and imposes a graduated 7.5 percent budget cut for employees making over \$40,000 per year. The House bill contains a provision to suspend sweeping fee funds from agencies (Office of the State Bank Commissioner) but the Senate bill does not contain those provisions.

Each chamber might pass their budget bills by the end of the week but that is questionable. The Senate has its bill ready to run and the House bill may be ready late in the week. Even if the bills are passed, it is unlikely a conference committee will have time to meet to negotiate the differences between the two bills before the regular session ends.

Legislation Passed

As the session concludes, the Legislature has passed not passed much legislation. There is likely to be additional action here at the end of the regular session, but lots of issues remain unresolved.

- Abortion restrictions—passed on March 29 strengthening regulations on abortion clinics and limiting most abortions after 22 week
- Requiring voter photo identification to register and to vote—Passed the House, limited in the Senate. Still negotiating
- Expanded liquor sales. Senate still debating SB 54 which allows liquor and full-strength beer sales in grocery stores
- Limit alien tuition assistance. Non-resident children of illegal aliens would not be eligible for in-state tuition—Passed the House, did not pass the Senate
- Worker Compensation reform: Chambers and business groups believe higher threshold for WC eligibility and reversed Supreme Court decisions more than offset cost of increased benefit caps. Passed the House, passed the Senate in a modified version. Differences should still be negotiated this week.
- Immigration reform. Legislation that would have required use of e-verify by all governmental units and empower law enforcement to check citizenship failed twice to pass the House.

Budgets and Tax Policy Update

A variety of tax and economic development bills are making their way through the Legislature. Surprisingly few have made it or are still alive. Among the bills of interest are:

- HB 2091 and SB 98. Both eliminate sales tax exemptions and impose sales tax on professional services, including banking services. Both bills remain in Committee.
- HB 2019 would have repealed the 1-cent sales tax added during the 2010 legislative session. That bill failed to pass the House.
- SB 198 Rural Opportunity Zones. The bill includes incentives to promote rural development in 55 counties that have lost at least 10 percent of their population since the 2000 census. The proposal will offer an income tax rebate for a period of five years to residents who move from out-of- state into Kansas Rural Opportunity Zone. It will also make available state-county partnerships for paying down student loans of residents who move to a participating Rural Opportunity Zone from out of state.
- House Sub for SB 1. Passed the House on March 18. Senate does not like the bill but they may continue to negotiate. Allows new 1 cent sales tax to sunset, but reduce corporate and individual income taxes. Would cap growth in government expenditures and use balance of increased revenue for reduced personal and corporate income taxes (originally was HB 2381). Bill is essentially a tax lid that caps state revenue growth in future years.
- House substitute for Senate Bill 196. Passed the House and Senate. Currently negotiating differences between the bills. Key part of Governor’s economic development package. Creates an economic growth fund or “deal closing fund,” by eliminating certain income tax credits.

Allows expensing, which would let businesses write off investments in production equipment and capital improvements 100% immediately instead of depreciating them over multiple years

Wrap Up

After the regular session concludes this week, we will have a better sense of what remains to be done at the end of the session.