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The 90<sup>th</sup> day of session came and went over the last weekend, and legislators returned Monday to a continued deadlock on a tax plan to fill the \$400 million budget shortfall. Legislators made little progress this week on the two items they must pass before they can adjourn for session. The House and Senate adjourned earlier in the day on Thursday to begin a 4-day weekend.

## **Budget**

In the little budget progress made, knowing legislators can't find agreement on a revenue plan, House and Senate budget negotiators pared \$25 from the FY 2016 budget. This is currently a tentative final agreement. Both House Appropriations Chair and Senate Ways and Means Chair believe the projected revenue shortfall that will have to be made up is \$380 million for FY 2016, down from the estimated \$406 million before the \$25 million cut on Thursday. Many of the cuts were small in nature, but the biggest was an \$11 million a year in transfers from the KPERS-operated death and disability insurance fund, which often has more money than is needed to meet actuarial standards.

The negotiators also reached an agreement on the two-year projected nearly \$30 million shortfall in proceeds from the statewide 20-mill property tax levy for schools. The Senate, which had toyed with not making up the roughly \$17.5 million shortfall in the coming school year and \$13 million the next, offered the first year shortfall makeup from the SGF, with no appropriation for the second year but the chance to reassess the property tax take in Fiscal Year 2017.

There was also agreement to a 25% cut in executive and state agency travel expenditures. The panel was careful not to disturb the yet-to-be approved Judicial budget, sparing the courts from any financial repercussions from the travel, subscription and death and disability insurance cuts and transfers.

## **Taxes**

In the meantime, the Senate delayed its tax debate until Wednesday morning. Senate Majority Leader Terry Bruce stated the Revisors Office and Legislative Research needed more time to prepare information and amendments sought by Senate members. Senate Tax passed to the floor a tax bill projected to raise \$496 million in upcoming FY 2016, \$518 million in FY 2017 and \$664 million in FY 2018.

Here are its major provisions:

- Non-wage business income exemption repeal/payroll credit raises \$81.9 million in FY 2016, \$66.4 million in FY 2017 and \$69.7 million in FY 2018.

- Sales and use tax (food at 6%; other at 6.5%) raises \$134 million in FY 16, \$152.4 million in FY 17 and \$158 million in FY 18.
- Itemized deduction changes raise \$97 million in FY 16, \$78 million in FY 17 and \$78 million in FY 18.
- Tax amnesty raises \$30 million in FY 16 only.
- Motor vehicle tax changes raise \$8 million in FY 16, \$21.8 million in FY 17 and \$32.5 million in FY 18.
- 50 cent-a-pack cigarette tax increase, 15% tobacco products tax increase raise \$43 million in FY 16, \$40 million in FY 17 and \$39.7 million in FY 18.
- 5-cent motor fuel tax increase raises \$81.9 million in FY 16, \$89.7 million in FY 17 and \$89.9 million in FY 18.
- The individual income tax rate freeze (rather than scheduled reductions) raises/saves \$19.9 million in FY 16, \$69.7 million in FY 17 and \$196 million in FY 18.

The House Tax Committee did not gain much traction this week on a tax bill after the failed attempt by the House chamber last Friday. The House Tax Committee held a hearing on a controversial bill by Rep. Marc Rhoades that would require sales tax to be paid on materials in public construction projects, except for highway construction. The measure was read as a way to raise about \$151 million in the upcoming fiscal year and \$181 million in the following fiscal year. That fiscal note was unclear, some revenue essentially the state taxing itself on construction projects and some revenue from taxing schools, hospitals and local units of government for their construction project materials. The state/local revenue wasn't clearly defined, and the measure was read by some as just taxing non-state projects to boost revenues.

### Elections

In other news, the House, on a vote of 67-55, sent to the Governor a bill that will give Secretary of State Kris Kobach the authority to prosecute suspected illegal voting in Kansas. The measure makes the Secretary of State's office the apparent only state agency, except for the attorney general, with original prosecutorial authority, if local prosecutors won't charge a suspect with illegal voting. The bill also redefines and boosts penalties for some voting crimes. The House also approved, 64-58, and sent to the Governor a conference committee report that would move local and school district elections to the fall of odd-numbered years, a change from current local elections in the spring. The conference committee report also sets new rules for a party's candidate withdrawing from the general election—death, medical hardship or moving out of state, and creates new deadlines for parties filling those vacancies. The local office elections would remain nonpartisan, but opponents of the measure suspect that the move of election cycles is a first step toward creating partisan elections for local offices. The bill also during conference committee negotiations was stripped of a Senate amendment that would have required local bond and tax-increase ballot measures to be on a regularly scheduled election ballot.

### Conclusion

Legislators return Tuesday on the 96<sup>th</sup> day of session. Leadership plans to work without breaking beginning Tuesday until there is agreement on a revenue plan and budget.