

# **Lenexa Chamber of Commerce**

## **2010 State Legislative Agenda—Results!**

**June 25, 2010**

### **Preserve Tax Reductions and Key Exemptions**

The Chamber supports maintaining enacted tax reductions and opposes removing tax exemptions key to economic growth, including the exemption for professional services.

***OUTCOME: Success in maintaining enacted tax reductions, such as the phase-down of franchise and corporate income taxes, and in preserving key tax exemptions.***

*HB 2549, which repeals many state and local sales tax exemptions (including for churches, non-profits, fundraising sales, and many labor and maintenance services), was **amended by the House to restore all exemptions before shelving further debate.** A similar bill received hearings but **did not advance from Senate committee (SB 476).***

*A number of other bills broadly repealing sales tax exemptions and/or imposing sales tax on certain services also **did not advance out of committee.***

*In order to balance the budget, however, **a 1-cent state sales tax increase for three years was signed into law (HB 2360)** along with additional budget cuts. Although concerned about the impact of that increase, as a whole the legislature also **considered and rejected a number of other targeted tax proposals** that would have directly impacted many businesses, such as **increases in cigarette and liquor taxes, a new tax on sweetened beverages, income tax increases, repealing certain business sales tax exemptions, and disallowing a certain federal tax deduction on state income taxes.***

*Also, **HB 2463, which establishes a committee on simplified state tax structure to study the overall tax structure and policy in Kansas, passed the House but died in Senate committee.***

### **Invest in Key Transportation Infrastructure Priorities**

The Chamber supports continuing to invest in statewide transportation infrastructure priorities that provide significant financial returns and maintain essential state assets, funded through reasonable and balanced means that do not unduly inhibit statewide economic recovery.

***OUTCOME: Success.***

***HB 2360, HB 2650, and HB 2631, which provide a framework for funding a statewide comprehensive transportation program for the next 10 years, were signed into law.** The plan relies primarily on “rolling” bonding authority, registration fee increases, and additional state sales tax revenues beginning in 2013. The legislation did not identify specific projects to be funded; those decisions will be coordinated by KDOT.*

*Also, **HB 2561, which allows KDOT to authorize transit buses to operate on the shoulders of state highways in Johnson County under certain circumstances, was signed into law.** Buses would be allowed to operate on the shoulder only if traffic speed on the highway is less than 35 mph, the bus may not exceed traffic speed by more than 10 mph, and would be required to yield to merging, entering, and exiting traffic or other vehicles on the shoulder.*

### **Modernize Economic Development Efforts**

The Chamber supports modernizing state and local economic development efforts, including continuing to improve the value and usability of state incentive programs to improve their effectiveness and seeding a nationally-competitive “deal closing” contingency fund.

***OUTCOME: Success.***

***HB 2554, which expands eligibility for the Promoting Employment Across Kansas (PEAK) economic development incentive program, was signed into law.** The changes will allow companies growing within Kansas to be eligible for the program, and revised wage requirements should expand the scope of jobs that could potentially qualify. Because the program relies on employee withholding taxes, there is no benefit*

conferred to the company unless a new job is actually created and there is no risk or upfront cost to the state.

HCR 5028, which would have placed a three-year moratorium on the granting of new economic development exemptions, credits or programs involving employer withholding taxes, was **considered and rejected by a House committee**.

### **Revise the K-12 Education Funding Formula**

Recognizing the connection between quality K-12 public education and statewide economic prosperity, the Chamber supports revising the education funding formula to maximize fiscal resources by better correlating funding to actual costs, encouraging administrative consolidation, and further expanding local flexibility and control over funding choices.

**OUTCOME: A mixed bag.**

**Base state aid per pupil for FY 2011 remained steady** at \$4,012/student. State General Fund expenditures for K-12 education in FY 2011 will increase by \$133 million (4.7%), with \$55 million of that for general state aid and \$42 million for local option budget aid to replace federal stimulus funds that will phase out. The other \$36 million is KPERS retirement funding for K-12 employees.

**No changes were made to the formula to significantly improve future funding for Johnson County schools.**

SB 74, which included authorizing school districts to voluntarily expend unencumbered state monies from certain funds for general education purposes in the 2010-2011 school year and in any year in which state funding per pupil falls below a certain level (would not apply to federal or local monies), authorizing the inclusion of KPERS contributions in computing a district's authorized Local Option Budget (LOB) to access additional local funds, and authorizing districts to maintain greater contingency reserves in the future, **was rejected by the House**.

Special education is funded at 86.2% of excess costs in FY 2011, as compared to 88.7% in FY 2010. SB 359, which retroactively revises the computation of catastrophic special ed funding in a way detrimental to Johnson County school districts, was **signed into law**.

A number of bills that would expand local flexibility and control over funding, such as authorizing a "budget equity fund" levy (HB 2719) or a "local activities fund" levy (HB 2739) or a "district enrichment fund" levy (HB 2594) or a special insurance/utilities capital outlay levy (HB 2579/SB 21), or authorizing additional LOB authority in districts with below statewide average per-pupil expenditures (HB 2742), **were introduced but did not advance, most not receiving a hearing**.

The conference committee report on HB 2704, which included authorizing two or more school districts to agree to consolidate into one or more districts so long as the resulting number is fewer districts, **was passed by the Senate but was not taken up by the House**. Also, HB 2728, which would "reorganize" K-12 school districts every 10 years to maintain district enrollments of at least 10,000 pupils (similar to legislative redistricting) and create regional administrative service centers, **received a hearing in House committee but did not advance**.

HB 2239, which requires K-12 districts to adopt a formalized and identical system of reporting expenditures, **was passed by the House but died in Senate committee after receiving a hearing**.

HB 2495, which authorizes a school district to hold an election to eliminate the current \$20,000 K-12 residential property tax levy exemption – thereby increasing the tax base, **received a hearing but died in House committee**.

### **Recharge Unemployment Comp Fund with Care**

The Chamber supports recharging the Unemployment Compensation Trust Fund by means that are fair, reasonable, and balanced and that do not unduly inhibit statewide economic recovery.

**OUTCOME: Successful first steps.**

HB 2676, which imposes original 2010 unemployment comp tax rates – rather than the adjusted rates that "penalize" employers with the most positive balance ratings – and provides a 90-day payment grace period without penalties or interest for the first three quarters, was **signed into law**.

*Unfortunately the legislature, businesses, and unemployed workers have a long way to go in devising a balanced framework for fully recharging the Fund and repaying federal loans and interest.*

### **Protect the Workers Compensation System**

The Chamber supports protecting the integrity and affordability of the workers compensation system.

**OUTCOME: Success.**

*Several bills of concern to employers were **introduced but did not advance.***

*For example, bills to increase workers compensation benefits (HB 2721/HB 2279/SB 250), set forth benefits for bilateral injuries in order to reverse the Kansas Supreme Court's Casco decision (HB 2278/SB 251), allow for employee choice of physician (SB 547), and increase and index workers comp death benefits (HB 2312/SB 258), **did not receive hearings in either House or Senate committees.***

### **Respect Employer-Employee Relations**

Because employers and employees should remain empowered to decide employment issues based upon local circumstances, the Chamber opposes legislation that unreasonably intercedes in employer-employee relations, including mandating payment of prevailing wages or other benefits, imposing penalties for outsourcing work, or amending labor laws to facilitate union organizing.

**OUTCOME: Success, although mostly a non-issue this year.**

*A minimal number of bills were **introduced and did not advance.***

*For example, SB 343, which mandated employers provide up to 30 hours of unpaid employee leave time for a child's school-related educational activities, **received a hearing but did not advance from Senate committee.***

### **Promote Affordable Health Care Coverage**

The Chamber supports market-driven health care reforms that reduce costs and promote greater efficiency, prevention, and quality of care, and opposes measures that would adversely impact the affordability of coverage.

**OUTCOME: Some discussion, not much action.**

*Several measures were introduced in response to federal health care/health insurance reform.*

*HCR 5032, which put forth a state constitutional amendment to preserve the right to choose health care services and participate in health insurance plans, **was rejected by the House.** An attempt to pull a similar measure out of committee and onto the floor for debate **was rejected by the Senate.***

*HR 6036, which put forth a resolution requiring the Kansas Attorney General to bring an action challenging the constitutionality of the federal health care reform bill, **passed out of committee but was not considered by the full House.***

*Also, SB 174, which would authorize small employers that do not offer health coverage to contribute to an employee's individual policy within certain circumstances, **was rejected by the House.***

*HB 2160, which institutes a pilot program mandating the state employee health care plan provide annually-capped benefits for the treatment of autism spectrum disorders in covered persons under age 19, **was signed into law.** The purpose of the pilot program is to gather cost and implementation information for the legislature's use in considering broader autism coverage mandates.*

*HB 2288, which would enact a healthcare price transparency act requiring doctors to provide price estimates upon request, **stalled in House committee and an interim study was requested.***

### **Retain Full Revenue and Spending Authority**

To ensure our elected representatives' ability to govern flexibly and effectively, the Chamber opposes the imposition of state or local tax and spending lids or "supermajority" 2/3 voting requirements to approve state or local tax increases.

**OUTCOME: Mostly a non-issue this year.**

*Some bills and amendments were **introduced but did not advance.***

*HB 2630, which requires municipalities either to reduce mill levies inversely proportionate to property assessment increases or hold elections on budget increases, **received a hearing and discussion but ultimately stalled in House committee.***

*Other similarly-themed bills introduced in the House **did not receive a committee hearing.***

### **Foster a Responsibly Balanced Energy Plan**

The Chamber supports continuing to foster a diverse long-term energy plan that responsibly balances environmental goals with ample statewide power and reasonable costs, including incentive-based measures that promote investment in energy efficiency, alternative technologies, and new infrastructure rather than imposing mandates, caps or penalties.

***OUTCOME:*** *Some bills were introduced but did not advance.*

*For example, HB 2729, which authorizes cities and counties to create “energy management” districts for the purpose of acquiring energy efficiency or renewable energy improvements, **passed the House but died in Senate committee.***

*HB 2419, which would authorize contracts between utilities and customers for renewable energy generation units and storage devices, **received a hearing but died in House committee.** Several other energy-related bills, such as one to create a Kansas energy science authority (HB 2422), **died in committee without receiving a hearing.***

### **Maintain a Strong Higher Education System**

Recognizing that higher education plays a vital role in producing and retaining a well-trained workforce and in promoting research and development, the Chamber supports continued investment in higher education that preserves quality and affordability and adequately maintains important state infrastructure assets.

***OUTCOME:*** *The approved FY 2011 budget includes a small increase for higher education above FY 2010, for debt service payments by the Regents institutions and funding for the Kansas Academy for Mathematics and Science at Fort Hays State University.*

*An amendment to the budget that would have provided another \$3.6 million in higher education funds for debt service was mistakenly drafted to do the opposite (and would have instead cost higher education funding and endangered federal funds.) At the request of the Board of Regents, Governor Parkinson line item-vetoed the mistaken amendment.*

*SB 548, which provides additional property and sales tax authority for counties to support technical colleges, **received a hearing but did not advance from Senate committee.***

### **Preserve a Fair & Cost-Effective Legal System**

The Chamber supports measures promoting a fair, efficient, and cost-effective legal system to resolve business disputes and opposes unreasonably increasing current award caps for non-economic damages.

***OUTCOME:*** *Mostly a non-issue this year.*

*A minimal number of bills and amendments were **introduced but none advanced.***

*A bill was introduced to remove the current award cap on non-economic damages in a wrongful death suit but it **did not receive a committee hearing.***

*A resolution putting forth a state constitutional amendment allowing the legislature to enact caps on non-economic damages was also introduced but **did not receive a committee hearing.***