

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 3:31 p.m. on January 31, 2011, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Brunk-excused
Representative Goico-excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Principal Economist, Kansas Legislative Research Department (KLRD)
Michael Wales, Kansas Legislative Research Department
Marla Morris, Committee Assistant
Allen Jeffus, Office Assistant

Conferees appearing before the Committee:

J. Kent Eckles, Vice President of Government Affairs, The Kansas Chamber
Mark Desetti, Kansas National Education Association, (KNEA), Kansas Association of School Boards, United School Administrators/Kansas, Schools for Fair Funding, Schools for Quality Education, Kansas Families for Education, Kansas City USD 500, Topeka USD 501, Wichita USD 259, and Olathe USD 233
Bernie Koch, Kansas Economic Progress Council

Conferees providing written testimony only:

Derrick Sontag, Americans for Prosperity
Doug Kinsinger, Greater Topeka Chamber of Commerce
Cindy Cash, Kansas City Kansas Chamber of Commerce
Deb Settle, Northeast Johnson County Chamber of Commerce
Tracey Osborne, Overland Park Chamber of Commerce
Dennis Lauver, Salina Area Chamber of Commerce
Tom Wiegand,
Ron Gaches, Kansas Society of Professional Engineers
Jewel Scott, Civic Council of Kansas City
John Peterson, Economic Lifelines
Scott Heidner, American Council of Engineering Companies of Kansas

Others attending:

See attached list.

Bill Introductions:

Representative Calloway moved introduction of a bill for a Kansas income tax reporting true-up act, bringing Kansas into alignment with the social security reporting requirements of the federal government. The motion was seconded by Representative Schwartz, and the motion carried.

Representative Calloway moved introduction of a bill pertaining to increased accountability and eligibility definitions of the Kansas Food Sales Tax. Representative Kleeb seconded the motion. The motion carried.

Representative Calloway moved introduction of a bill addressing increased accountability and eligibility definitions of the Kansas Homestead Act, seconded by Representative Powell, the motion carried.

Representative Calloway moved introduction of a bill to make changes congruent with regional practice within the Kansas Earned Income Tax Credit. The motion was seconded by Representative Weber. The motion carried.

John Federico requested introduction of a committee bill to legislate changes to KS-19 610, removing mill levy limit on fire districts, making the statute consistent with changes that were made to the law in 1999. Representative Carlson moved introduction of the requested committee bill, Representative Frownfelter seconded the motion, and the motion carried.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 3:31 p.m. on January 31, 2011, in Room 783 of the Docking State Office Building.

Chairman Carlson opened the hearing on:

HB 2091-Decreasing rate of sales and compensating use tax.

Chris Courtwright, Principal Economist, Kansas Legislative Research Department (KLRD), briefed the Committee on **HB 2091**. He explained the bill would, on July 1, 2011, reduce the rate of the State Sales and Compensating Use Tax from 6.3 percent to 5.3 percent and return the distribution formula for the State General Fund and the State Highway Fund to the pre-July 1, 2010 distribution law. He stood for questions.

Representative O'Hara, from the 27th District in southeast Johnson County, spoke in support of **HB 2091**. As a small business person, she stated the sales tax increase hit Johnson County hard, particularly those businesses situated near the state line between Kansas and Missouri. She believes an increase in sales tax is not what is needed in time of economic stress. She urged support of **HB 2091** and the repeal of the sales tax increase with a roll-back to 5.3 percent. She stood for questions.

J. Kent Eckles, Vice President of Government Affairs, The Kansas Chamber, presented a neutral position on **HB 2091**. The Kansas Chamber prefers the Committee consider not repealing the recently enacted sales tax increase, and a continuation of the use of those revenues to offset the elimination of the corporate income tax (Attachment 1). He stood for questions.

Mark Desetti, Kansas National Education Association, (KNEA), also representing the Kansas Association of School Boards, United School Administrators/Kansas, Schools for Fair Funding, Schools for Quality Education, Kansas Families for Education, Kansas City USD 500, Topeka USD 501, Wichita USD 259, and Olathe USD 233, spoke in opposition to the passage of **HB 2091**, (Attachment 2). He stood for questions.

Bernie Koch, Kansas Economic Progress Council, testified in opposition to **HB 2091**. He referenced a study prepared by Dr. John D. Wong, Interim Director of the Center for Urban Studies and the Kansas Public Finance Center at Wichita State University and financed by the Kansas Economic Progress Council. Mr. Koch's testimony offered three reasons why a sales tax increase has a lesser negative impact (Attachment 3), as determined by the study. He stood for questions.

Chairman Carlson directed the Committee to the written only testimony in support of **HB 2091** from Derrick Sontag, Americans for Prosperity (Attachment 4).

Written only testimony in opposition to **HB 2091** was presented by: Doug Kinsinger-Greater Topeka Chamber of Commerce, Cindy Cash-Kansas City Kansas Chamber of Commerce, Deb Settle-Northeast Johnson County Chamber of Commerce, Tracey Osborne-Overland Park Chamber of Commerce, Dennis Lauver-Salina Area Chamber of Commerce, and Tom Weigand-Ottawa Area Chamber of Commerce (Attachment 5). Ron Gaches, Executive Director, Kansas Society of Professional Engineers (Attachment 6). Jewel Scott, Executive Director, Civic Council of Greater Kansas City (Attachment 7). John Peterson, Economic Lifelines (Attachment 8), and Scott Heidner, Executive Director, American Council of Engineering Companies of Kansas (Attachment 9).

Chairman Carlson closed the hearing on **HB 2091**.

The meeting adjourned at 4:25 p.m.

The next meeting will be held at 3:30 p.m., February 3, 2011, in Room 783 of the Docking State Office.

HOUSE TAXATION COMMITTEE

DATE: 1/31/11

NAME	REPRESENTING
Pope Routhier	Hein Law Firm
Bernie Koch	Ks. Economic Progress Council
Mark DeBetti	KNEA
Doug Smith	Western Ks Development Org.
Kent Eckles	KS Chamber
Jennifer Bruning	OP Chamber
Nicole DeLoach	Boelus Braden
Mary Jane Starkiewicz	KARA
Eric S. Kline	Bright & Carpenter
Larry R. Baer	CKM
Lindsey Douglas	KDOT
Don Murray	NFIB
Jane Carter	KOSE
Gene Meyer	KANSAS REPORTER
Dina Fisk	VERIZON
Tom Carles	KSPE
ERIK SARTORIUS	CITY of Overland Park
TOM PALACE	PMCA OF KS



**Testimony before the House Tax Committee
House Bill 2091 – Repeal of Sales Tax Increase
Presented by J. Kent Eckles, Vice President of Government Affairs**

Monday, January 31st, 2011

The Kansas Chamber of Commerce appreciates the opportunity to present testimony on behalf of our members, who believe we must reform the State's tax structure to spur economic growth in Kansas.

According to the Council on State Taxation's 2010 study *Total State & Local Business Taxes*, Kansas employers paid \$5.6B in taxes in 2009 and saw their business tax burden increase nearly 17% between 2005 & 2009.

According to The Tax Foundation, Kansas ranks 32nd nationally in business tax burden, which of course is below average and shows there is room for improvement as a state.

In the book Rich States, Poor States by economists Laffer, Moore & Williams, it is noted that between '98-'07, 400,000 people moved from the nine highest tax states to those without income taxes. Those recipient states grew 89% more jobs than the nine highest tax states combined and personal income increased 32%. The Kansas Chamber believes our state should capitalize on this economic climate!

What is the magic formula those states follow? They tax consumption (sales) rather than savings, investments & business profits (property, income). Unfortunately, Kansas' biggest source of tax receipts is via income taxes. Sales tax receipts have shown to be a more stable source of tax receipts than income or property, so states that derive a larger portion of their receipts from consumption taxes are more insulated from economic downturns.

As we all know, Kansas increased their consumption (sales) taxes by nearly 19% last legislative session and the Kansas Chamber opposed that because there was no trade-off on reducing income taxes, which we have had on our legislative agenda for two years, but did not ask for until we as a state were able to enact comprehensive tax reform.

We are appearing before you today as a "neutral" on this bill because we would prefer the Committee consider not repeal the recently enacted sales tax increase as written in law (in 2013) and continue to use those revenues to offset the elimination of the corporate income tax. That is the formula other states of like size to Kansas have used to grow their economies while at the same time maintaining and improving existing government services and infrastructure.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.



835 SW Topeka Blvd. Topeka, KS 66612 785.357.6321

House Taxation
Date: 1-31-11
Attachment: 1



Making public schools great for every child

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

**Mark Desetti, Testimony
Kansas NEA
House Committee on Taxation
House Bill 2091**

Also representing the Kansas Association of School Boards, United School Administrators/Kansas, Schools for Fair Funding, Schools for Quality Education, Kansas Families for Education, Kansas City USD 500, Topeka USD 501, Wichita USD 259, and Olathe USD 233.

Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today to share our thoughts on this proposal to reduce rate. I am Mark Desetti and I am speaking today on behalf of the K-12 education community including Kansas NEA, Kansas Association of School Boards, United School Administrators/Kansas, Schools for Fair Funding, Schools for Quality Education, Kansas Families for Education, and the Kansas City, Topeka, Olathe, and Wichita School Districts. I mention this because within our group we sometimes have minor disagreements about the nuances of policy or whether or not one finance proposal is the best way to go and I want to emphasize today that the education community is solidly united on this particular issue. We oppose House Bill 2091.

The action the legislature took in 2010 to increase the rate was not taken lightly. Those of you who were here will recall that it was quite a controversy. You were faced with pleas from those who depend on the services the state provides and the horror stories from those opposed to the increase.

This increase was carefully crafted at that time to ensure certain things.

1. The increase is partly targeted to the maintenance and improvement of our roads and highways. To this extent, it is intended to ensure a solid infrastructure that keeps our citizens safe and moves goods from manufacturing plants and Kansas farms to markets.
2. The remainder of the increase was used to stop additional cuts to vital state services. The legislature was able to stave off more harmful cuts to education, social services, and a host of other important state services.
3. The increase is temporary. The legislature was deliberate in enacting this as a temporary increase designed to deal with a serious economic condition. It was intended to get Kansas through the last of the economic recession without creating lasting harm to state services.

You will also recall at the time that there were dueling studies on the impact of a tax increase. One said that the state would suffer from crippling job losses if the increase was passed and another that said cutting spending by an equivalent amount would cost more jobs than raising the tax to offset those cuts.

What we have seen since then is that the horror stories have not come true.

According to the legislative research department and the consensus revenue estimating group, the increase in the sales tax had no negative impact on sales. This is partly due to the fact that some of our neighbors have larger sales tax rates when one factors in local sales taxes.

As for jobs, the Kansas unemployment rate has declined since passage of the increase. I do not mean to imply that the increase caused this but merely wish to be clear that the increase in the sales tax did not increase unemployment in Kansas.

Kansas, like the rest of the United States, continues to wrestle with an economic condition that has caused real harm to the state budget. Your Appropriations Committee is grappling with the continuing recession right now. A repeal of the sales tax increase would only serve to make their job even more difficult. Repeal would inevitably lead to more cuts in education, social services, road and highway maintenance, and other vital services.

We are not here today to ask you to increase taxes; we are asking you to stay the course so that Kansans can continue to enjoy the quality of life that makes this state a wonderful place to live, work, and raise a family. We note too that Governor Brownback supports leaving this increase in place. We urge you to reject House Bill 2091.



Kansas Economic Progress Council
Suite 200
212 West 8th
Topeka, Kansas 66603

**Testimony on HB 2091
House Taxation Committee
January 31, 2011**

Good afternoon, Mr. Chairman and members of the committee. Thank you for the opportunity to appear before you today in opposition to House Bill 2091.

I'm Bernie Koch with the Kansas Economic Progress Council, a statewide not for profit organization of businesses, trade associations, and chambers of commerce. We support pro-growth policies for communities and the state.

Our organization supported the one-cent sales tax increase last year after we received a study that we'd paid for by Dr. John D. Wong, Interim Director of the Center for Urban Studies and the Kansas Public Finance Center at Wichita State University. Dr. Wong was also a member of the Kansas consensus revenue estimating committee. That study compared what happens when you cut spending \$350 million versus raising the state sales tax by a penny.

The study results show that a \$350 million reduction in state spending would result in the loss of approximately 5,177 jobs across the state.

A one-cent state retail sales tax increase would generate approximately \$350 million in additional revenue, but would result in the loss of 3,231 jobs across the state. Both options were bad, but the sales tax increase was the least harmful to jobs and the economy.

The study gave three reasons why a sales tax increase has a lesser negative impact.

"First, a high percentage of government expenditures initially stay within the state's economy, going either to employees (state residents) in the form of salaries or to local businesses for the purchase of goods and services."

"Second, the revenue enhancement scenario spreads the negative effects throughout the state, both geographically and across all 2.8 million residents. The effect on any individual and on any business is minor. In contrast, the spending reduction scenario severely affects a small number of state residents and businesses—state employees and those private-sector businesses that serve state employees and state government directly. The likelihood of a business failing under this scenario is much greater than in the tax increase scenario."

"Third, a portion of the sales tax increase will be exported to tourists and other visitors to the state. The full effect of the tax increase is not felt within Kansas."

That study was one reason we supported the sales tax increase. Another was that a portion of it will be used to finance the next comprehensive transportation program.

State investment in infrastructure has a strong impact on the economy. One of the first economists to argue this was Dr. David Aschauer in a 1989 study that concluded much of the decline in U.S. productivity in the 1970s was the result of declining rates of public capital investment. His findings have since been confirmed by other studies. Dr. Alicia H. Munnell, in an article published in the Journal of Economic Perspectives, gives an excellent example of why public infrastructure investment helps the economy.

She says a well-constructed highway allows a truck driver to avoid circuitous back roads and to transport goods to market in less time. The reduction in required time means the truck driver is more productive, the producer doesn't have to hire as many truck drivers or buy more trucks, and there's less wear and tear on the trucks. Hence, public investment in a highway enables private companies to produce their products at lower total cost. The condition of the highway is just as important as its existence.

Dr. Munnell adds that similar stories can be told for mass transit, water and sewer systems, and other components of public capital. She concludes that public capital investment stimulates private investment and public capital has a positive, statistically significant effect on employment growth.

Finally, I want to tell you about an independent statewide poll that did not get a lot of publicity because it was released just after the election in November. Conducted by the national polling firm Survey USA for television station KWCH, 500 Kansans were asked, "Would you support or oppose repealing the one cent sales tax that went into effect in July?"

38% said support, 47% said oppose, while 14% were not sure.

However, the 38% who supported repeal were then asked, "If repealing the sales tax meant further cuts to education, social services and public safety, would you still want to see it repealed?"

The opposition then melted away, with 67% saying no, 29% yes, and 4% being undecided.

Remember, these were the people surveyed who originally said they would support repeal, but over 2/3rds of the 38% changed their answer to opposing repeal when it was tied to further cuts.

Finally, I know you have a very difficult job this year. I don't envy you. You already have a \$550 million hole in the state general fund. I can't imagine how difficult it will be to try to find another \$300 million plus in reductions.

I urge you to reject this proposal. Thank you for the opportunity to appear.

The Kansas Economic Progress Council is a not for profit designed to draw together organizations and businesses interested in advancing sound public policy in Kansas to enhance our state's quality of life.

Kansas Economic Progress Council
www.ksepc.org
212 SW 8th Avenue, Suite 200
Topeka KS 66612



AMERICANS FOR PROSPERITY

KANSAS

January 31, 2011

House Bill 2091
House Taxation Committee

Mr. Chairman and members of the committee,

I am proudly before you today, representing the more than 40,000 members of Americans for Prosperity-Kansas.

AFP supports HB 2091, which would adjust state sales tax from its current rate of 6.3%, to a rate of 5.3% effective July 1, 2011.

While everyone may agree that the sales tax increase enacted last year was brought about due to the financial condition the state then and still currently faces, it is important to note excessive spending is the driving factor for why the state has encountered such large budget shortfalls.

During a period of just six fiscal years (FY 2004-2009) state general fund spending increased by a staggering 40%, while receipts increased by more than 23%. Just three and a half years ago, the state had a surplus of \$935 million. If we just would have spent what we took in, we would have had nearly a \$1 billion surplus going into last year. With this record of excessive spending and poor budgeting, the last thing that should be done is to shift the burden to Kansas families and businesses in order to pay for state government's spending problem.

It can be argued that Kansas families and businesses are already overtaxed and that the state receives plenty of tax revenue. When looking at the time frame beginning in 2001 and ending in 2008, individual tax receipts increased by 47% with individual income tax receipts increasing by 46%. During that same time period, business tax receipts increased by 83% with the corporate income tax realizing an increase of 104%.

Kansas' tax environment is already uncompetitive, and AFP supports efforts to balance the budget without asking taxpayers for more. In a time when the national economy is still sluggish and Kansas is slowly recovering from the massive loss of private sector jobs (we now have fewer private sector jobs than we did ten years ago) higher taxes only worsen the problem, not solve it. Kansas' state and local tax burden continues to be amongst the highest in the region.

The following chart indicates Kansas' tax rates compared to our neighboring states:

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	Top tax rate for individual with \$50,000 taxable income	State & Local Property Tax Collections Per Capita (2007)	Top Corporate Income Tax Rate	Sales Tax Rate	Gas Tax	State Cigarette Tax
Colorado	4.63%	\$1,180	4.63%	2.90%	\$0.22	\$0.84
Kansas	6.45%	\$1,251	7.05%	6.30%	\$0.25	\$0.79
Missouri	6.00%	\$893	6.25%	4.23%	\$0.18	\$0.17
Nebraska	6.84%	\$1,353	7.81%	5.50%	\$0.27	\$0.64
Oklahoma	5.50%	\$537	6.00%	4.50%	\$0.17	\$1.03

In the fall of last year, the Oklahoma Council of Public Affairs issued a paper entitled, *A Tale of Two States: The Real Effect of Individual Income Tax Cuts*. The study compared tax policy in Oklahoma and Kansas over the last ten years with an emphasis on income and sales taxes.

When the decade began, Kansas had a 4.9% sales tax for the first two years but then increased it to 5.3% until last year's increase. Meanwhile, Oklahoma kept its rate constant at 4.5%. In FY-00 Kansas' sales tax collections exceeded Oklahoma's by \$88 million, but by FY-09 Oklahoma's sales tax revenues exceeded Kansas' collections by \$283 million. While Kansas' sales tax revenues grew by 17% over the last ten years, Oklahoma's increased by 46%.

Sales Tax Revenues

	Kansas		Oklahoma	
	Rate	Revenue	Rate	Revenue
FY-00	4.90%	\$ 1,440,295,000	4.50%	\$ 1,351,803,097
FY-01	4.90%	\$ 1,423,059,000	4.50%	\$ 1,441,929,046
FY-02	5.30%	\$ 1,470,599,000	4.50%	\$ 1,443,427,590
FY-03	5.30%	\$ 1,567,722,000	4.50%	\$ 1,404,275,611
FY-04	5.30%	\$ 1,612,067,000	4.50%	\$ 1,496,238,185
FY-05	5.30%	\$ 1,647,663,000	4.50%	\$ 1,546,621,382
FY-06	5.30%	\$ 1,736,048,000	4.50%	\$ 1,677,854,488
FY-07	5.30%	\$ 1,766,768,000	4.50%	\$ 1,804,313,384
FY-08	5.30%	\$ 1,711,398,000	4.50%	\$ 1,930,951,193
FY-09	5.30%	\$ 1,689,516,000	4.50%	\$ 1,972,769,753

It should be noted that beginning in FY 2005, Oklahoma began lowering its' individual income tax rate from 7% in FY 2004 to 5.5% in FY 2009 while Kansas remained at 6.45% during that same time period. The majority of the individual income tax rate reduction in Oklahoma occurred in the last three years of the decade while in the middle of a recession, but surprisingly (at least to the static-model crowd) Oklahoma's sales tax revenues grew by 18% while Kansas' fell by 3% for the same period.

Thus while keeping their sales tax low compared to Kansas and reducing the individual income tax, Oklahoma realized a tremendous growth in economic activity as measured by sales tax revenue.

Derrick Sontag
Kansas State Director
Americans for Prosperity

House Taxation

Date

Attachment

Written Testimony in Opposition of House Bill 2091

House Taxation Committee

Monday, January 31st, 2011

Mr. Chairman Carlson and Members of the House Taxation Committee:

We encourage you to oppose House Bill 2091, a bill that would repeal last year's one-cent sales tax increase. Last year's increase raised the sales tax rate from 5.3 percent to 6.3 percent beginning on July 1, 2010, with revenues from the increase directed to the state general fund. The sales tax was then to be reduced to 5.7 percent on June 30, 2013, with 0.4 percent of those revenues to be sent to the state highway fund to help finance the ten-year comprehensive transportation plan passed by the Legislature last session. We oppose HB 2091 for the following reasons:

1. Repeal of the one-cent sales tax increase also means repeal of the provision sending 0.4 percent of the tax proceeds into the state highway fund in 2013, thus decimating the primary funding source supporting the implementation of the ten-year comprehensive transportation plan.

Kansas' transportation systems are the foundation for the efficient movement of people and goods, and they are crucial for economic development, business retention and expansion, and job creation throughout the entire state. In short, sufficient transportation funding is key to seizing economic opportunities.

2. Repeal of the one-cent sales tax increase will create an additional \$300+ million gap in our state budget, a budget already stressed with a \$500+ million deficit. The Governor's initial FY12 budget proposal already cuts K-12 base state aid per pupil funding, and we believe that passage of this bill would result in further education funding reductions. Our business communities recognize the importance of quality education to the economic prosperity of Kansas.

We understand that Governor Brownback does not support this repeal bill, and we stand in support of that decision. We urge the Committee to oppose the passage of HB 2091. Thank you for your consideration.

Doug Kinsinger, President & CEO
Greater Topeka Chamber of Commerce

Tracey Osborne, President
Overland Park Chamber of Commerce

Cindy Cash, President & CEO
Kansas City Kansas Chamber of Commerce

Dennis Lauver, President & CEO
Salina Area Chamber of Commerce

Deb Settle, President
Northeast Johnson County Chamber
of Commerce

Tom Weigand, President & CEO
Ottawa Area Chamber of Commerce

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Kansas Society of Professional Engineers

A state society of the National Society of Professional Engineers

**Testimony of Kansas Society of Professional Engineers
Submitted by Ron Gaches, Executive Director
Before the House Taxation Committee
In Opposition to HB 2091: Decreasing Sales Tax Rate
Monday, January 31, 2011**

House Bill 2091 proposes to roll back the sales tax increased passed by the Legislature in 2010. The Kansas Society of Professional Engineers supported the sales tax increase last year and is in opposition to rolling back the increase at this time.

Passage of the increased sales tax was critical to funding the ten-year comprehensive transportation plan passed by the Legislature in 2010. The past two transportation programs have proven to be outstanding private sector jobs programs, contributed significantly to the safety of our Kansas roads and highways, and were essential to maintaining and enhancing the competitive business environment of our state.

Private sector jobs don't just happen. Having an outstanding transportation infrastructure has been critical to private sector job creation in Kansas.

Agriculture, manufacturing, energy, processing and services are all dependent on a safe, reliable and efficient transportation system. Our Kansas roads and highways are the backbone of that system.

Similarly, outstanding higher education is critical to private sector job creation, and especially the success of the three engineering colleges in Kansas have been essential to our manufacturing and agricultural industries. Further, the Kansas City metro area has developed into one of the highest concentrations of outstanding consulting engineering firms of any place in the world.

The success and growth of our engineering colleges have been critical to prior private sector job growth and will be even more important in the years ahead. But

without expansion of those colleges, Kansas will not be able to meet the growing demand for engineering professionals and future job creation will migrate to other states.

Outstanding engineering colleges cannot exist without adequate funding. It is not clear that our engineering schools can meet the future needs of Kansas employers and prospective employees without retention of our current state general fund revenue sources.

Until growth in the Kansas economy permits alternative funding for our comprehensive transportation program and higher education institutions we urge you to maintain the current sales tax.

The Kansas Society of Professional Engineers is the statewide professional society of licensed professional engineers working at all levels in local and state government, industry, construction industry, academia and engineering consulting firms across the state of Kansas.

Written Testimony
The Civic Council of Greater Kansas City
In Opposition to HB2091
House Taxation Committee
January 31, 2011

The Civic Council of Greater Kansas appreciates the opportunity to submit written opposition to HB2091, which would repeal the one cent sales tax passed in 2010. The Civic Council's concern regarding the repeal of the one cent sales tax is the potential adverse effect on the public education system at all levels.

The Civic Council believes that a high quality, adequately and equitably funded, accessible and accountable early childhood through higher education public education system is essential to having a skilled workforce and provides the foundation for a competitive economy and an attractive quality of life. The Civic Council encourages the Kansas Legislature to complete a comprehensive review of the education system and other essential services and to develop a comprehensive funding plan before making any decision to reduce revenues in this budget year.

Governor Brownback has provided a road map for Kansas that includes a comprehensive review of Medicaid; a challenge to the legislature to review the definition of a suitable education; incentives for higher education programs; and incentives for businesses to assist in growing the Kansas economy. As an example, in his FY2012 budget, the Governor proposed a \$105 million University Economic Growth initiative that will catalyze job growth in key economic sectors such as aviation, cancer research, animal health, and engineering. The Civic Council supports these efforts and is concerned that the loss of revenue from the repeal of the sales tax would prevent funding of these and other critical programs.

The Civic Council supports the Governor's efforts to examine and recommend streamlining measures in all levels of government in order to address structural issues, increase operational efficiencies, and reduce costs. The Civic Council also supports efforts to review school funding, and encourages the legislature to work toward the development of a funding formula that is fair to all districts, allows for greater local authority in financing school district operations, is appropriately equalized, authorizes a mix of revenue sources for the funding of schools, and provides local district flexibility for unique and extraordinary circumstances that currently exist or arise in the future.

Thank you for your consideration of these matters. Please contact Jason Dalen, Assistant Director, Civic Council of Greater Kansas City, 816-221-2263 or Sandy Braden, Gaches, Braden and Associates, 785-233-4512, for additional information or questions.

Jewel Scott
Executive Director, Civic Council of Greater Kansas City
1200 Main Street, Suite 230
Kansas City, Missouri 64105

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TESTIMONY OF ECONOMIC LIFELINES
HOUSE TAXATION COMMITTEE
OPPOSITION TO HB 2091
January 31, 2011

Mr. Chairman, member of the Committee. My name is John Peterson, representing Economic Lifelines. Economic Lifelines is a coalition of over 50 organizations and community groups which support transportation programs for Kansas. We appear before you in opposition to House Bill 2091 because it would eliminate T-WORKS, the new 10-year transportation program by eliminating a major funding component of the program.

More than 2,000 community leaders have guided the development of T-WORKS over the last 7 years. Based on their input, the program has been reformed and is focused on two areas: 1) preserving the high quality of our highway system and 2) delivering projects that will help grow the Kansas economy.

T-WORKS is largely financed through the dedication of four-tenths of a cent sales tax enacted last year, with funds flowing to KDOT in 2013. Repeal of the sales tax eliminates the T-WORKS program. There would be no funding for modernization and expansion projects – the projects which communities need and care about deeply. There has been a considerable amount of work done to evaluate the long-lasting economic impact of the expansion projects and those projects will be chosen, in part, based on that impact. Eliminating these projects would result in a loss of thousands of jobs and billions of dollars in long-term economic growth. In addition, several local assistance programs would be eliminated, including the Economic Development program, the Federal Fund Exchange program and the Transportation Revolving Fund.

Lastly – but just as importantly – KDOT would have to suspend some preservation work on the highways. This work is critical to keeping our highway system in good condition and creating or sustaining jobs across the state.

This comprehensive transportation program, over a ten year period, is estimated to create and sustain 175,000 jobs, to provide \$1.7 billion for modernization and expansion projects with a minimum of \$8 million in every county and spend some \$420 million per year in maintenance. It provides funding for transit, aviation and rail programs. All total, it will inject into the Kansas economy \$8 billion over the course of the program. Kansas can't afford NOT to fund this program.

We would urge you to defeat this legislation.

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AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Kansas

Affiliated with
American Council of Engineering Companies
Kansas Society of Professional Engineers
National Society of Professional Engineers
Professional Engineers in Private Practice

FROM: SCOTT HEIDNER, EXECUTIVE DIRECTOR
AMERICAN COUNCIL OF ENGINEERING COMPANIES OF KANSAS (ACEC KANSAS)

TO: HOUSE TAXATION COMMITTEE

RE: HB 2091

DATE: JANUARY 31, 2011

Mr. Chairman and members of the Committee,

Thank you for the opportunity to submit testimony today on behalf of ACEC Kansas. ACEC Kansas is the trade association for private engineering companies in Kansas, employing several thousand Kansans.

ACEC Kansas opposes the repeal of the one cent sales tax proposed in HB 2091. The passage of the one cent sales tax in the 2010 session allowed, among other things, the creation of a new 10 year transportation program. Passage of HB 2091 would kill that program in its entirety.

The two previous ten year transportation programs have proven conclusively that they create jobs in both the short term and the long term. In the short term, several groups benefit from the work itself, including engineers, land surveyors, contractors, construction laborers, and all other groups with a role in building the infrastructure. In the long term, this improved infrastructure produces jobs through its role in helping recruit and retain Kansas businesses. Transportation infrastructure must be safe and efficient to be attractive to business.

Almost every Kansas industry relies on effective and efficient transportation infrastructure to move both people and products. HB 2091 would take away the funding component that allows Kansas to continue to provide this critical component of economic development. We urge you to vote "no" on HB 2091.

House Taxation

Date: 1-31-11

Attachment: 9

Scott Heidner, Executive Director

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