

## **Legislature starting up slowly**

### **Another review of the fiscal mess**

The Kansas Legislature reconvened yesterday to start the annual "wrap-up" session. But first up is getting filled in on the bad news from the April consensus revenue estimates.

The House Appropriations Committee stopped in last week, the Senate Ways and Means Committee on Tuesday, and today the review was with the House Tax Committee. We reported on the fiscal profile of the state after the Appropriations Committee but today's review in Tax Committee was a bit different.

For the Tax Committee staff backed out of the profile the Governor's proposed revenue packages. So while the Appropriations saw that the budget gap for 2016 was \$131.4 million and for 2017 was \$80.5 million, the Tax Committee learned the gaps are actually \$422.4 million in 2016 and \$375.2 million in 2017.

The profile give to Appropriations was based on the Governor's revenue packages being passed but there has been little interest in those changes in the Legislature. You may recall that the Governor proposed significant increases in tobacco and liquor taxes, a delinquent tax amnesty program, and a tax on HMOs. Since none of those have actually be passed into law, the job of the legislature is to make up the gaps in the profile shared today.

If the Legislature can find a way to overcome the two-year shortfall of \$797.6 million, the state could have a balanced budget with a \$0 ending balance. (The state, by the way, statutorily requires a 7.5% ending balance.)

The whole can be filled with tax increases, budget cuts, or a combination of the two.

Rep. Hineman (R-Dighton) suggested that getting to a zero dollar ending balance would be a problem if revenue collections continued to decline. In that case, the Governor would likely have to make interim cuts to services (allotments), leaving the Legislature having passed a budget with a tax increase that required more cuts.

Among the trial balloons floating about the capitol are higher sales taxes, changes in the business income tax cuts that have exempted 330,000 business from paying any income tax at all, and a gasoline tax increase. One does not hear much about the possibility of rolling back the reckless income tax policies passed in 2012 and 2013 which have caused the problem.

### **KPERS working after retirement changes being considered**

A new proposal on working after retirement surfaced yesterday. It looks very unlikely that the Legislature will just lift the sunset on the current rules. KPERS has been faced with some challenging financial issues related to working after retirement that need somehow to be addressed. For a while it looked like the Legislature was going to just let the current law sunset and return to the \$20,000 annual earnings cap for all KPERS retirees who return to work in a KPERS position.

The newly proposed changes would limit who could return to work and under what conditions a KPERS employer could hire a retiree for a job earning more than the earnings cap. These proposals would also increase the earnings cap to \$25,000.

The proposal has been discussed in conceptual form - a summary was provided during the Senate KPERS Committee meeting yesterday. We have many questions about the proposal but are waiting until we see the actual bill language before sharing all the details - we don't want to have to retract something if it was misunderstood or drafted differently in the bill.

We hope to have the actual bill tomorrow or Monday for review. When we have reviewed the actual bill, we will provide you with a detailed examination of its provisions.

Links

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