

Kansas Legislative Insights is a publication developed by the Public Policy Law and Governmental Relations practice group of Foulston Siefkin. It is designed to inform business executives, human resources and governmental relations professionals, and general counsel about current developments occurring in current Kansas legislation. Published regularly during the Kansas Legislative Session, it focuses on issues involving Health Care, Insurance, Public Finance, Taxation, Financial Institutions, Business & Economic Development, Energy, Real Estate & Construction, Environmental, Agribusiness, Employment and Workers Compensation. Bill summaries are by necessity brief, however, for additional information on any issue before the Kansas Legislature contact Foulston Siefkin's Public Policy Law and Governmental Relations Practice Group Leader, James P. Rankin at 785.233.6371 or jrankin@foulston.com.



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PREVIEW OF THE 2009 LEGISLATIVE SESSION

The 2008 general election did not result in a significant shift in the power structure of the Kansas legislature. The Republicans will continue to have sizeable majorities in both houses (31-9 in the Senate and 77-48 in the House). However, there was one major change in the House leadership where Rep. Mike O'Neal (R-Hutchinson) defeated the incumbent Speaker of the House, Melvin Neufeld (R-Ingalls), for that top position.

In addition, there will be new chairmen of key committees in both the House and Senate. Senator Jay Emler (R-Lindsborg) will chair the Senate Ways & Means Committee and Rep. Kevin Yoder (R-Overland Park) becomes chairman of House Appropriations. The Senate Assessment & Taxation Committee will be chaired by Senator Les Donovan (R-Wichita) while House Taxation will be under the leadership of Rep. Richard Carlson (R-St. Marys)

The 2009 session of the Kansas legislature will formally convene on Monday, January 12th amidst a severe state revenue crunch. It is currently estimated the state will have a \$140 million shortfall in the state general fund (comprised mainly of state income and sales tax receipts) by the end of this fiscal year (6/30/09) and could be nearly \$1 billion in the hole by the end of the following fiscal year.

Since Kansas law prohibits deficit spending by the state, members of the legislature are faced with several unpalatable choices: raise taxes, cut spending or a combination of both. Governor Sebelius has already ordered departments and agencies to trim spending for the remainder of this fiscal year by 3% and may order further reductions in the coming weeks. Such cuts may appear small compared to the potential double-digit reductions being contemplated for FY 2010 (7/1/09 to 6/30/10).

What makes the task for legislators even more difficult is the fact that over 2/3 of the expenditures from the state general fund are for areas where reduced spending is nearly impossible, i.e., K-12 education, social services and prisons. A 2007 state Supreme Court decision required the legislature to pour millions of new dollars into K-12 education funding. Meanwhile, Medicaid costs for the state continue to grow rapidly and there are always demands for expansion of our prison system. This leaves little or no wiggle room for increases in funding for such areas as higher education, health care, transportation, or aid to local governments.

Most legislators view tax increases as the "third rail" in the political process and they will be looking for other creative ways to shore up the state general fund balances. Mandated increases in administrative fees by various state

agencies are likely since a percentage of those fees could then be transferred to the general fund. A reduction in or elimination of corporate tax credits and reimplementing of the corporate franchise tax are just two of many possible tax changes that may be considered.

Beyond the very difficult budget issues there will likely be a renewal of the battle for a coal-fired power plant in southwest Kansas and, in light of the economic downturn, a reworking of the casino legislation passed in 2007. Add to these controversial issues another 400 to 500 bills on a multitude of subjects and you have the makings of yet another legislative session that requires everyone's attention.

As has been the custom for the past four years, I will be writing a Legislative Insights bulletin that describes key bills introduced and acted on each week of the session. A broad range of subjects will be covered including:

- Agribusiness
- Business and economic development
- Energy and natural resources

- Environment
- Financial services
- Health care
- Insurance
- Public health
- Real estate and construction
- State government
- Taxes
- Telecommunications
- Workers compensation

Emphasis will be given to those bills in the various categories listed above that appear to have a realistic chance of receiving serious consideration during the 2009 session.

State legislative actions impact our lives in many different ways so individuals, institutions and companies can ill afford to ignore what transpires here in Topeka during the 90-day session. I hope you will access our Legislative Insights bulletin often in the coming weeks.

Go to <http://www.foulston.com/kslegislativeinsights> to access the Foulston Siefkin Kansas Legislative Insights newsletter. For a copy of bills, go to the Kansas Legislative Web site at: <http://www.kslegislature.org/legsrv-portal/bills.do>.

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