

# LEGISLATIVE NEWSLETTER

ACEC Kansas

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The 2011 legislation session is officially underway! The changes at the Capitol after the November elections are dramatic and cannot be overstated. Republicans in Kansas followed the national trend and saw unprecedented success in the last election, and now dominate state government by a margin not seen in recent memory. Every statewide and Congressional office in Kansas went Republican, and the majorities in each state legislative chamber were increased....the House split is now 92 Republicans versus 33 Democrats, and the Senate is 32 Republicans versus 8 Democrats. Governor Brownback, as most of you have probably heard, is indicating his top priority is jobs and economic growth.

The overwhelming issue, for the third straight year, will be the budget. FY 2010, the current fiscal year which ends June 30, projects a deficit of about \$90 million. FY 2011, which begins on July 1, shows a pending deficit of \$550 million. This is a massive hole that must be plugged.

What does all this mean for ACEC Kansas member firms? On the positive side, it likely means a more pro-business approach in a general sense. Issues such as tort reform, workers compensation, unemployment compensation, and business liability are going to be addressed with a more business friendly approach. ACEC issues such as outsourcing work to the private sector and aggressive support of private development will find stronger support under the Capitol dome.

On the negative side, infrastructure funding will almost certainly be harder to obtain. The legislature and new Governor are strongly anti-tax and are looking to shrink state spending in almost every area. There is talk of repealing the \$.01 sales tax that was passed in the 2010 session. As most of you know, that sales tax is the primary funding mechanism for the new 10 year transportation program. Support for repair and restoration of aging university infrastructure will shrink, along with water, wastewater, parks, and almost every other form of state spending on infrastructure.

To that end, the highway fund has already suffered a severe loss in the Governor's proposed budget. That budget includes a \$200 million dollar transfer from the state highway fund to the state general fund. KDOT has said that low inflation and lower than expected bid prices have allowed them to make up this loss without cutting any projects. KDOT also has indicated they are hopeful this will be a "one time only" transfer. That is good news, but it is still a very painful loss for the highway fund and the impact that money could have had on state infrastructure and the economy. Economic Lifelines, the umbrella organization which represents stakeholders in the highway funding debate, has issued a press release which pretty much resigns themselves to the loss. There doesn't seem to be much stomach on either side of the aisle for a fight to restore that \$200 million to the highway fund.

Another issue which we will watch closely this year is the sales tax exemption on professional services. There is a broad coalition that would like to remove several sales tax exemptions from

the state tax code, both as a way to increase revenues and also give government the flexibility to cut taxes in other areas. We have rigorously opposed past efforts to repeal the sales tax exemption for professional services, and continue to do so. We have spent the previous year talking to legislative leaders about the damage of such a policy change and urging our members to do the same. We are cautiously optimistic that we will prevail, but it is far too soon to be overly confident.

The state Capitol is currently suffering from a series of IT glitches which, among other things, has damaged their ability to draft new bills. Therefore, we have no new legislation in the bulletin this week. However, we expect a flood once that problem is corrected.

Stay tuned...