



## **Testimony in Opposition to House Bill 2747**

### **House Taxation Committee Thursday, February 16, 2012**

Chairman Carlson and Members of the House Taxation Committee:

My name is Jennifer Bruning, and I am Vice President of Government Affairs with the Overland Park Chamber of Commerce. I am submitting written testimony today in opposition to House Bill 2747 on behalf of our Board of Directors and our nearly 1,000 member companies.

As the pro-business voice of our members, the OP Chamber commends the authors of this legislation for their bold approach to reforming Kansas' tax policy to grow more private sector jobs. We agree that tax policy must be analyzed on a regular basis to ensure that our State is as "business-friendly" as possible and that all policies are meeting anticipated goals. Our members support a balanced and reasonable approach to tax reform that continues to provide or enhance a positive business climate. We, too, share the vision that many of you on this committee have for the future: thriving businesses, added jobs, increased income and opportunity.

However, in our analysis of the proposed legislation, we have found several components of the bill which we strongly oppose:

- Our Chamber has a long-standing position against any restrictions of legislative authority regarding taxing or spending, including revenue/spending lids like the one proposed in HB 2747, which uses a 2% revenue growth trigger mechanism to eventually eliminate the state income tax (without meeting the statutorily required 7.5% ending balance as the Governor's proposed tax reform plan does). This proposal does not factor in inflation, and it seems to hobble future attempts to make core government services like education, Medicaid, social services and KPERS sustainable. Currently KPERS is \$8+ billion underfunded, and it is estimated that both KPERS and Medicaid will equate to almost 25% of the state revenue fund budget in 2012. How can the State keep up with its obligations while trying to eliminate a key revenue source at the same time?
- We stringently object to the part of the bill which would freeze KDOT funds at FY13 levels and not allow for the 4/10 cent transfer into KDOT in FY14 & FY15 to fund T-WORKS, the 10-year statewide comprehensive transportation plan (CTP). One of our Chamber's top legislative priorities this year is "protecting existing transportation funding sources, and opposing any diversion of funds from the Kansas Highway Fund."

Our Chamber was a strong proponent two years ago for the passage of TWORKS, and we supported the revenue enhancement that was also passed that year to pay for the preservation and expansion projects included in the plan. Our members believe that 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. **Sufficient** transportation funding is key to seizing economic opportunities.

T-WORKS is an economic stimulus tool. One of our larger members, HNTB, grew from 65 to 105 employees over the last 10 years, and they attributed the passage of the 1999 CTP, and the work it provided, as the major reason for their exponential company growth. Their story is not unique. With the high level of engineering and construction companies in our region, this program, IF FUNDED PROPERLY, will act as a desperately needed economic stimulant.

HB 2747 would withhold \$350 million from KDOT, which means that the Department will not be able to deliver T-WORKS projects as has been promised. This is especially worrisome to all of us in Overland Park where the T-WORKS plan is already underway with the much needed expansion of US 69 Highway. How will this proposal affect this top priority project?

While the bill proposes to “repay” the \$350 million over seven years from 2016-2022, we have learned from past Kansas Legislatures that often the temptation to “borrow and not repay” funds taken from transportation is too great. This proposal cripples the appropriations process of future Kansas legislative bodies, and the 2% annual spending cap on top of that debilitates our State’s ability to meet basic government service needs.

- As a border community, and as a key economic engine of the State (generating over 1/3 of the state’s economic growth), Johnson County must have stability and equability in its tax structure. If we were to narrow our state’s tax base, we become more susceptible to wide swings in our tax collections when specific segments of the economy experience downturns.
- The PEAK program has been an extremely successful and effective economic development tool for us, resulting in thousands of new jobs and capital investment in the State. As the program relies solely on individual incomes taxes for funding, we are concerned how the plan to eventually eliminate that tax may detrimentally affect PEAK use.
- While we do not argue with the appealing nature of income tax reduction, we would like to see evidence of the proposed positive correlation between the lowering of income tax reduction and an enhanced rate of economic growth. A March 2011 study done by The Missouri Budget Project states, “There is no consistent relationship between state income tax and state economic growth. In fact, between 1997 and 2009, the states that rely on an income tax, on average, obtained a state product growth rate that was substantially similar to the average growth rate seen in the non-income tax states.”

For the reasons stated above, we respectfully urge you as policymakers to take the time to fully understand this bill’s future impact on our State and oppose it in its current format. Thank you for your consideration.