

FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman, Director of Economic Policy
Kansas Action for Children
House Taxation Committee
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Legislative Testimony - HB 2028

Good morning Chairman Carlson and members of the Committee. On behalf of Kansas Action for Children (KAC), I would like to thank you for this opportunity to testify in favor of HB 2028.

KAC is a not-for-profit child advocacy organization that has been in existence since 1979. We work to promote policies that improve child well-being in the areas of health, education and family economic success. Several years ago KAC developed Fiscal Focus as part of this work to improve the economic security of Kansas children and their families, and ensure a balanced and fair tax system and budget process that promotes both the well-being of children and families and provides a stable system of state revenues.

We stand in support of HB 2028 and ending the phase out of the franchise tax. Our support of this policy is not a reflection of the value we place on the business community in Kansas. Instead it is a very practical acknowledgement of the extremely difficult fiscal situation in our state. In order to pass a balanced budget for fiscal year 2009 and 2010 state expenditures must be cut or revenues must be found to meet spending needs.

The budget shortfall that we face is not entirely a function of a struggling economy. We know that our state's current tax structure is no longer keeping pace with public infrastructure costs. Although major components of the Kansas tax structure have been in place for quite some time, the strength of our tax policy has eroded little by little through legislative action each year. In the past four years alone, tax cuts including the elimination of the estate tax and the franchise tax have resulted in a State General Fund revenue reduction of almost \$150 million in this fiscal year alone. This cut in the tax base grows to \$180 million dollars in fiscal year 2010.

At the heart of this process is an analysis of the priorities of our state. In this year of extremely difficult decisions, we believe that adequate funding for education, healthcare and other important programs for children and families is more important to the people of Kansas than further tax cuts for businesses. The resources we dedicate to our next generation this Session will determine whether Kansas has a short-term economic problem or a long-term crisis.

Without legislative action, the franchise tax will be eliminated entirely in 2010, taking with it an estimated \$26 million dollars from the State General Fund. While that might have been feasible several years ago, this is not the time to eliminate entire sources of revenue to the State General Fund. We urge your support of HB 2028.