

Testimony to Senate Taxation Committee
Opposing SB 78 in Part
The Greater Kansas City Chamber of Commerce
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January 29, 2013

Chairman Donovan and Other Honorable Senators:

The Greater Kansas City Chamber has nearly 2,500 members, 40% of which are in Kansas. Our 2013 Kansas Public Policy Agenda, developed by our members acting and approved by our board, supports tax reform and exemption proposals that do not impact the delivery of essential state services and do not disadvantage any type of business.

The KC Chamber is concerned that SB 78 calls for phasing in further reductions in 2014-2017 and would put in statute new section 7, dedicating any growth in receipts over 4% to further cuts in the income tax rates. We are concerned that the Governor is not proposing any clear measures to pay for the 2014-2017 reductions. The Chamber for many years has had a public policy position against automatic rollbacks of taxes or spending which may force budget cuts in future years. The Chamber believes those decisions should be left to the officials then serving Kansas citizens. Therefore we must also oppose the automatic 4% cap. Given a \$9 billion shortfall in KPERs funding is projected, and Medicaid expenses have historically grown at a rate much faster than 4%, and also considering other obligations the state is facing, we must oppose unfunded reductions at this time.

In that regard, we would point out that reputable bond rating services such as Moody's already has Kansas on the watch list due to an unstable fiscal forecast. If the state's indebtedness is further downgraded, it will cause the cost of borrowing to go up significantly not only for the state, but for local governments in the state as well.

Thank you for the opportunity to submit this testimony.