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Wednesday, May 11, 2011

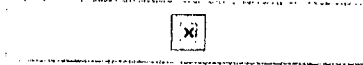


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Session ends; some expect big budget deficit in '08

Posted: Thursday, May 11, 2006
 By: Chris Moon
 The Capital-Journal

The Legislature adjourned its 2006 session Wednesday night, leaving town with a large school funding plan but a slate of expected budget problems on the horizon.



The 93-day affair started and ended with bipartisan gestures -- and had a few partisan moments in between.

Legislative leaders gave themselves high marks. They helped usher through a multiyear school funding bill that they hope will satisfy Kansas Supreme Court demands for additional education funding.

"I think the people of Kansas were well-served," said House Speaker Doug Mays, R-Topeka, who gavelled out the last of four sessions as leader of the House.

In last-minute action, lawmakers passed a highly touted tax cut on business machinery and equipment and sent Gov. Kathleen Sebelius a bill that would reform campaign finance laws. Lawmakers also passed major legislation boosting penalties for sexual offenders and a bill that allows Kansans to carry concealed weapons.

The Legislature also put one more stake in the heart of casino gambling in Kansas and rebuffed attempts to repeal a law that provides more affordable tuition rates to illegal immigrants.

But school funding was the talk of the Statehouse in the session's last day.

Anthony S. Bush/The Capital-Journal

From her Statehouse office, Gov. Kathleen Sebelius talks Wednesday about what the Legislature accomplished this session. She said she will sign a \$541 million school finance bill.

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Lawmakers remain under a Kansas Supreme Court mandate to increase what they spend on the state's elementary and secondary schools. The Legislature made its effort to comply late Tuesday when the House and Senate approved a three-year, \$541 million schools plan.

The plan was criticized lightly even by its supporters. But Sebelius said Wednesday she would sign the bill, which adds large amounts of new money to programs for students in poverty.

"All in all, the 2006 session will go down as a victory for schools," Sebelius said during a session-ending news conference. "That's probably the most significant statement the Legislature has ever made, in history, about our willingness to close that learning gap."

Bipartisan support

By Wednesday, the session seemed to have looped around back to where it started in January when lawmakers began 2006 with a legislative study that suggested at least a \$399 million increase in public school spending.

Early on, legislative leaders from both parties pledged to work toward passing a bipartisan, multiyear school funding plan.

But as the cost of such proposals were projected several years into the future, the state's budget picture soured. Many Republicans, especially conservatives, began resisting passage of large school funding plans.

In fact, the school finance bill that will become law, which is similar to many others contemplated by lawmakers during the session, is projected to leave the state with a \$422 million budget deficit by mid-2008.

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But by Tuesday, a mix of Democrats and moderate and conservative Republicans voted to approve the bill -- citing practicality and downplaying the fiscal concerns.

The group was led by Mays and House Minority Leader Dennis McKinney, D-Greensburg, who spent much of the session on opposite sides on schools.

"Sometimes in the session, everyone needs to voice their views, and it takes time to converge on an agreement," McKinney said. "No one came out losers."

Sebellius' signature would send the bill back into the court system where attorneys for two Kansas school districts are expected to argue the plan doesn't meet the Legislature's constitutional duty to fund public schools. Attorneys for the state will argue the opposite.

Lawmakers spent much of Wednesday speculating on what the court would do.

"I hope they wouldn't do anything that would cause a special session," Mays said.

Tax cuts

Meanwhile, the Legislature finished its session by passing a bill that would eliminate property taxes on new business machinery and equipment.

Lawmakers rejected the notion it was irresponsible to reduce revenues -- by an estimated \$123 million over three years -- in the face of a budget deficit. The measure passed 28-11 in the Senate and 109-10 in the House.

"It's the one thing we can do to stimulate capital investors," said Rep. Tom Thull, D-North Newton. "If it means new facilities, new employees -- if it just means survival -- any one of those would be a benefit to our Kansas communities."

Some voted against the bill, which was proposed by Sebellius, because of its potential impact on local government. The bill lays out a plan by which the state would reimburse counties for tax revenue lost under the tax cut.

But some said those reimbursements weren't enough.

"People I represent have little to gain by this endeavor," said Senate Majority Leader Derek Schmidt, R-Independence, who voted "no."

Wins and losses

On the last vote of the session, the House struggled to pass the state's final budget for the fiscal year that starts July 1. Most Democrats opposed the spending package -- which funds government agencies, highway programs and schools -- saying Republicans ignored their pleas to include more money for health care programs.

"It was their budget. They had to pass it," Thull said.

The bill initially looked as if it would fail, but garnered just enough support for passage, 65-49.

Barring higher-than-expected revenue collections, the budget is projected to leave the state facing a deficit in 2008.

Sebellius and others had hoped the Legislature would pass a bill to expand casino gambling in Kansas to try to stave off a budget deficit. But an 11th-hour procedural vote in the House to bring gambling to a debate failed Wednesday 72-44.

Meanwhile, Democrats lamented the Legislature didn't do more to address the rising cost of health care.

Sebellius had recommended bolstering a program that helps small businesses provide health insurance to their employees and offer health care to all children in Kansas under age 5.

"It's not really about spending money. It's about choices made," Sebellius said.

The Legislature also didn't resolve a bill that would have restricted the funeral protests of Topeka's Westboro Baptist Church. The House and Senate couldn't agree whether to exempt public areas to protect the state from a free speech lawsuit.

Pastor Fred Phelps has been traveling the country during the past year to hold anti-gay pickets at the funerals of slain U.S. soldiers.

Congress on Tuesday passed a bill to prohibit protesters from disrupting funeral services at national cemeteries.

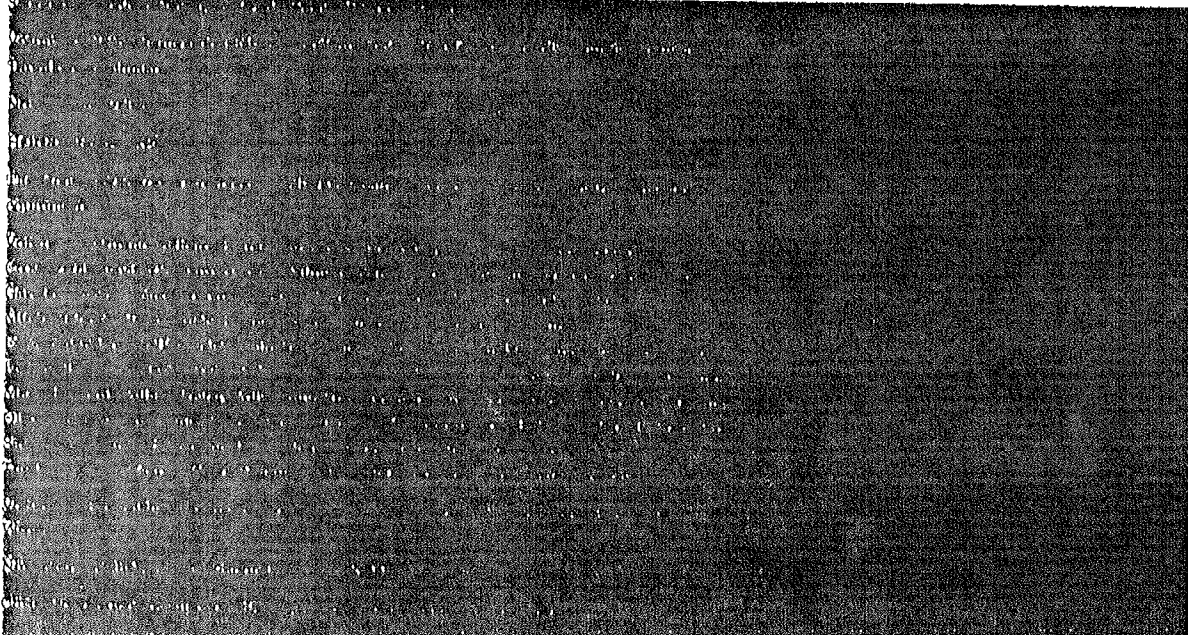
"I find it a little ironic that nationally, they can come together on a bill and we can't mobilize the kind of will in Kansas to make a similar statement," Sebellius said. "Picketing funerals of soldiers is despicable."

Mays agreed: "I'm disappointed we weren't able to pass something with any teeth."

SENATE ROLL CALL

The Senate voted 28-11 to approve a bill that would eliminate taxes on new business machinery and equipment.

Voting yes: Allen, Apple, Barnett, Barone, Brownlee, Bruce, Donovan, Emler, Francisco, Huelskamp, Jordan, Journey, Kelly, McGinn, Morris, O'Connor, Ostmeyer, Palmer, Petersen, Pine, Pyle, Vick



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The budget hole has been known for years and would have existed even without the recession.

State General Fund Profile — FY 2005 — FY 2009 (Amounts in Millions)

	Approved FY 2005	Approved FY 2006	Revised FY 2007	Projected FY 2008	Projected FY 2009
Beginning Balance	\$ 327.5 \$	478.7 \$	620.4 \$	396.6 \$	(3.4)
Tax Reductions Approved (Total SGF Impact Including Net Transfers)	0.0	0.0	(17.5)	(44.1)	(61.4)
Receipts (April 2005 Consensus) - 4.0 Percent Growth in FY 2008 and FY 2009)	4,841.3	5,308.7	5,310.1	5,407.5	5,611.4
Adjusted Receipts	4,841.3	5,308.7	5,292.6	5,363.4	5,550.0
Total Available	\$ 5,168.8 \$	5,787.4 \$	5,913.0 \$	5,760.0 \$	5,546.6
K-12 Additional Funding - \$466.2 Million Over 3 Years (SB 549) Less All Other Expenditures	4,690.1	5,167.0	194.5	149.0	122.7
Total Expenditures	4,690.1	5,167.0	5,321.9	5,614.4	5,850.5
Ending Balance	\$ 478.7 \$	620.4 \$	396.6 \$	(3.4) \$	(426.6)
Ending Balance as a Percentage of Expenditures	10.2%	12.0%	7.2%	(0.1)%	(7.1)%
Receipts Above Expenditures	\$ 151.2 \$	141.7 \$	(223.8) \$	(400.0) \$	(423.2)

Footnotes:

- 1) FY 2006 and FY 2007 expenditures are as approved by the 2006 Legislature.
- 2) FY 2006 revised receipts and FY 2007 projected receipts reflect the estimates of the Consensus Revenue estimating group as of April 17, 2006, as adjusted for legislation.
- 3) FY 2008 base receipts assume a 4.0 percent growth, plus year-to-date receipts above the estimates; and expenditures include out-year significant obligations (i.e., SRS and Aging caseloads, KPERS, and KDOT bonds, etc.) Other areas of government are frozen at the FY 2007 level.
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - SB 549.

This state general fund profile was prepared in the summer of 2006, just after the *Monroy* three-year funding plan, SB 549, was adopted. It shows that lawmakers knew that the state ending balance would be \$426.6M in the hole at the end of the three years. During this three-year period the legislature continued to cut revenues (taxes) knowing that they could not meet their constitutional obligation to fund schools.

At the time the school funding plan was adopted, it was known that the state's expenditures would exceed the state's revenues in 2007, 2008 and 2009. There had been a surplus in 2005 and 2006.

and SB 404 — total impact on the SGF, including net transfers).