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December 4, 2020

The Honorable Mitch McConnell
United States Senate
Washington, DC 20510

The Honorable Chuck Schumer
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
U.S. House of Representatives
Washington, DC 20515

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Pelosi and Minority Leader McCarthy:

As the pandemic continues to worsen heading into the winter months, please allow us to join millions of other Americans in imploring you to reach consensus on another round of federal stimulus legislation, specifically the needed inclusion of federal funds to restore state budgets. The CARES Act provided a much-needed safety net for the citizens of Kansas and softened the blow COVID has had on the state's economy. We urge you to actively engage to pass relief as soon as possible to prevent additional suffering for all Kansans and Kansas businesses -- and to address the growing likelihood that the nation may slide into another recession in 2021 if the stalemate cannot be broken. Absent additional federal support, Kansas is looking at stiff and painful cuts to state and local budgets that will lead to an increase in unemployment and lengthen the duration of such a recession.

Key provisions of various proposals under discussion would allow Kansas families to greatly benefit from a second round of stimulus payments and extended unemployment compensation benefits; businesses to benefit from a Paycheck Protection Program extension and certain liability protections; and state and local governments to benefit from funding that would enable them to backfill a portion of receipts that have collapsed in the wake of the COVID-19 crisis.

Although all of these are critically important components, it is this latter issue that we as the Governor's Council on Tax Reform are especially concerned about. Created by Governor Kelly in 2019, our basic mission to review the overall state and local tax system in Kansas and evaluate its adequacy and equity has certainly become more challenging as a result of the pandemic and its fallout on the economy.

During the Governor's Council on Tax Reform meeting in mid-November we learned that in spite of a slightly improved state revenue forecast, Kansas nevertheless continues to face a projected negative ending balance for FY 2022. Given that the state cannot legally operate in red ink, that kind of stress on the state budget leaves policymakers with a litany of unattractive policy options: (1) Significant budget cuts to our public school system (which may not be constitutionally permissible in the first place), infrastructure funding, and higher education would almost certainly damage the state's economy in the short and long term; (2) accounting gimmicks and fund sweeps that rob from the future to fill the current shortfall simply make future budgetary headaches much more severe; and (3) dramatic revenue enhancements are seldom popular to consider, especially during the economically stressful times we are experiencing.

Moreover, a good many tax targeted tax reductions on the table in Topeka in recent years are now much harder to consider, including business-friendly provisions championed by the Kansas Chamber of Commerce and Industry; restoration of a refundable income tax credit designed to help over 400,000 Kansas families offset sales taxes paid on groceries; and resumption of state aid for local units to reduce property taxes.

The state and local government revenue provision in any new stimulus legislation remains of critical importance for Kansas given that it would help us avoid some combination of the aforementioned unattractive options – and perhaps even consider some modest forms of tax relief.

We therefore strongly encourage you to work with leadership of your parties to jump-start negotiations again as soon as possible and to assure that a flexible state and local aid component remain part of the package.

Sincerely,

s/Janis Lee

s/Steve Morris

Janis Lee, Co-Chair
Kansas Governor's Council on Tax Reform

Steve Morris, Co-Chair
Kansas Governor's Council on Tax Reform

cc: Senator Pat Roberts
Senator Jerry Moran
Representative Roger Marshall, M.D.
Representative Ron Estes
Representative Sharice Davids
Representative Steve Watkins