

What Will Kansas Face in 2017? Overview of the State Budget Crisis

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What Will Kansas Face in 2017?

THE CRISIS

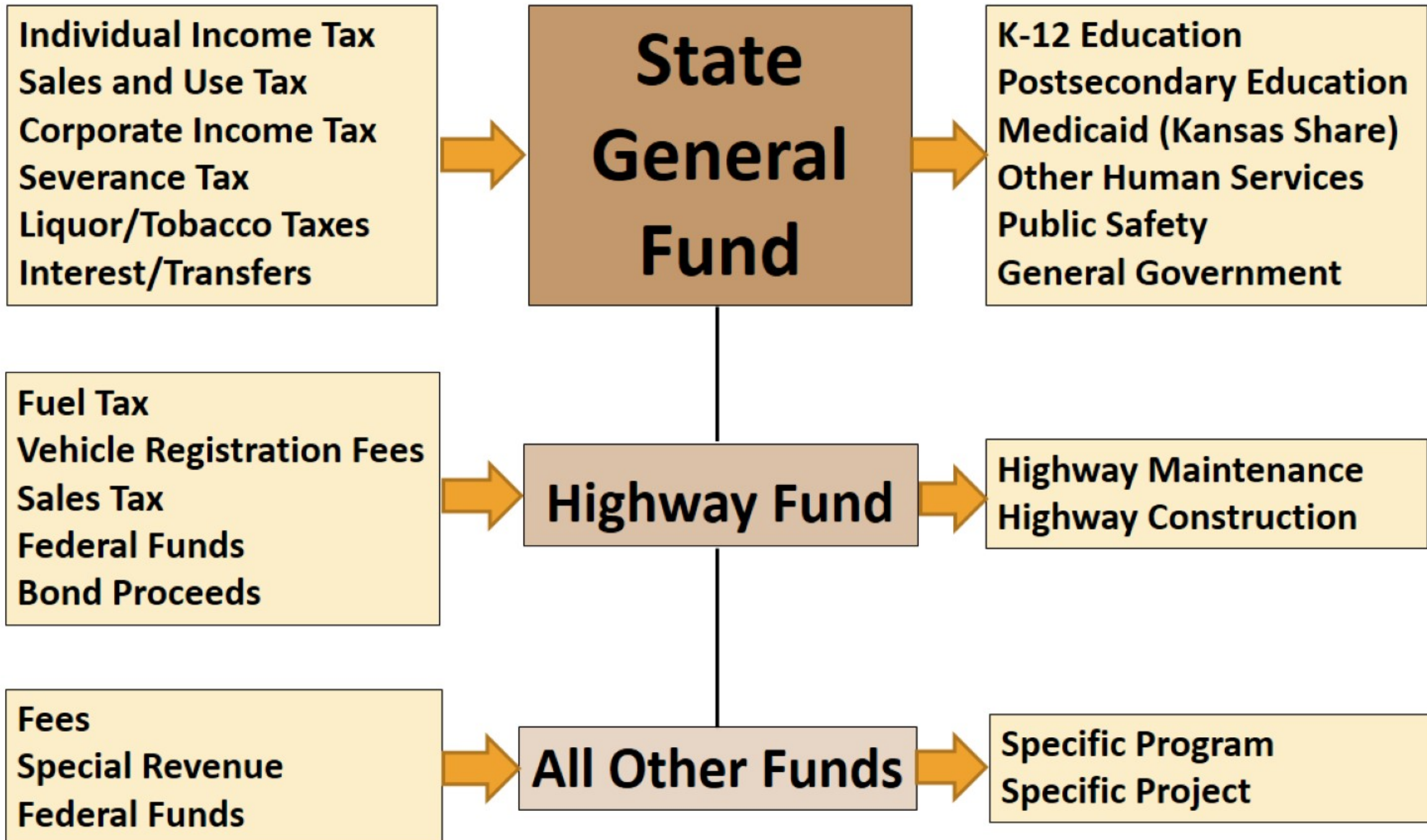
Latest View of Kansas Budget



Kansas Budget

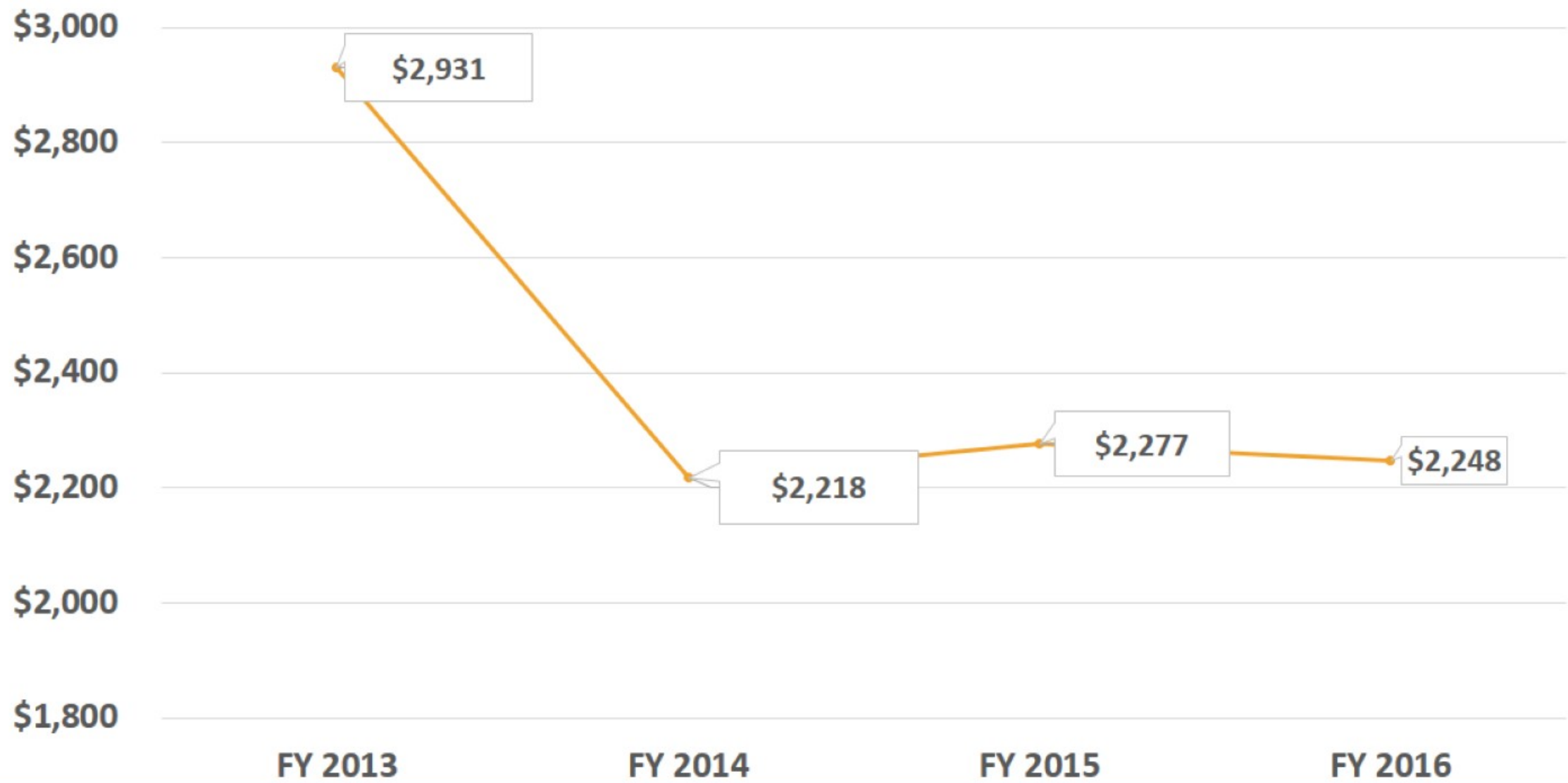
Fiscal Year 2017

(July 1, 2016 to June 30, 2017)



Individual Income Tax Receipts

(Dollars in Millions)



State General Fund

FY 2017

(July 1, 2016 to June 30, 2017)

(Dollars in Millions)

Beginning Balance \$ 37

Estimated Receipts \$ 5,980

Total Available **\$ 6,017**

FY 2017 Expenditures \$ 6,270

FY 2016 Unpaid Bills 87

Approved Expenditures **\$ 6,357**

Ending Balance \$ (340)

Total receipts from Nov. 10 estimate. The total includes one-time transfers of \$276 million from the highway fund, \$75 million from other funds, and proceeds from the sale of the Bioscience Authority.

Total incorporates emergency budget cuts already made by the governor to higher education, Medicaid providers, and state agencies.

The Result?

- Nine round of budget cuts
 - Record-high debt
 - Three credit ratings downgrades
- ...and this is just the beginning

State of the Kansas Budget: Here Comes the Sun

UNPRECEDENTED TAX CHANGES

Kansas' Budget Breakdown

A ROADMAP

1
January 1, 2013:
Kansas' built-to-fail tax
plan goes into full effect.

2
July 2014:
Kansas collects almost \$340 million less
in revenues than it was expecting. Burns
through a chunk of its savings and its
credit rating is dropped...twice.

3
Nov. & Dec. 2014:
Revenue estimates are lowered substantially.
Cuts to public employee retirement
contributions, \$14.5 million swept from
Kansas kids, \$100 million swept from
highways, and a 4% cut to state agencies to
balance the budget—for now.

4
April 2015:
Revenue estimates lowered
and lawmakers have to close a
\$400-million-dollar budget gap.

5
June 2015:
To close the session, Kansans see a
significant tax increase on sales (including
food) and tobacco taxes, along with more
cuts and sweeps to be announced later.

7
November 2015:
Revenue estimates
lowered—yet again—by
over \$350 million through
June 2017. Over \$120
million more in cuts,
sweeps, and gimmicks are
immediately announced.

6
July 2015:
Governor announces \$62 million in
budget cuts, sweeps, and other gimmicks.
The problem is still not solved.

8
December 2015:
\$1.4 billion has been swept from the state
highway fund between FY 2011 and FY
2017, much of it to deal with revenue
problems caused by the tax plan.

9
April 2016:
After the legislature gives
the Governor authority to
delay a payment to the public
employee retirement fund, he
does just that, promising to
make an extra payment with
8% interest the following year.

10
April 2016:
For a fourth time since tax cuts, revenues
are lowered again, this time for almost
\$350 million for the next 15 months.

11
May 2016:
The Governor makes almost \$100 million in cuts
to higher education, Medicaid, and state agencies.
Legislative budget also includes \$150 million more in
sweeps from the highway fund, delaying some projects.

12
June 2016:
Just after the special session is resolved, Kansas gave itself a
record loan of \$900 million. Revenues are \$100 million below
recently revised estimates, another \$16 million is swept from
highways, and \$45 million in cuts from Medicaid and other
agencies are announced to finish FY 2016.

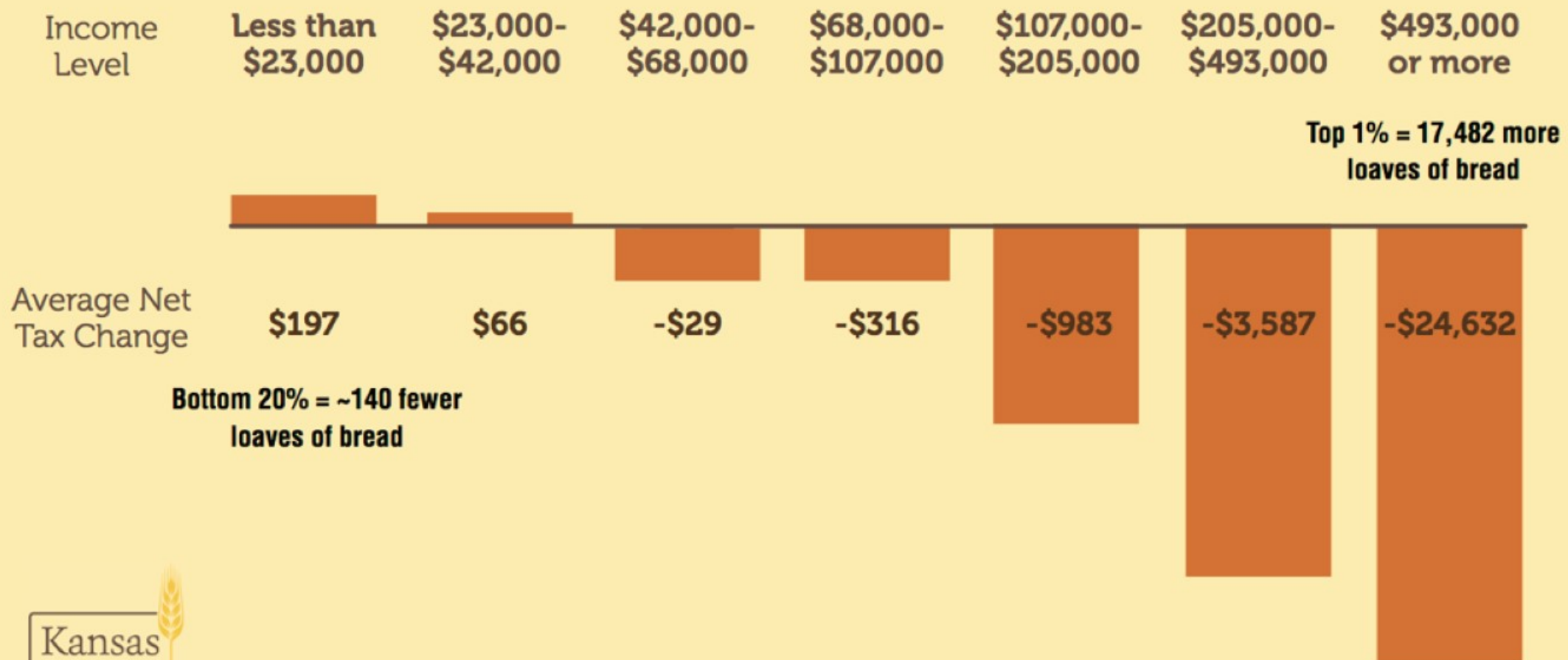
13
July 2016:
Kansas' credit rating is downgraded a third time and is
now only higher than three other states. Just after this,
Kansas misses yet another revenue estimate for July.

A BRIEF EXPLAINER ON THE TAX PLAN:

In 2012, Governor Brownback set Kansas on a path to eliminate the state income tax. This tax plan reduced the individual income tax rate for all Kansans, eliminated income tax for approximately 330,000 business owners, eliminated or reduced many popular credits and exemptions for Kansas families, and phased future individual income tax cuts into law until all individual rates reach zero. Right now, we're not even close to zero—40 percent of Kansas' revenue still comes from income taxes, yet the roadmap shows significant consequences to our state though we've just started down this path.

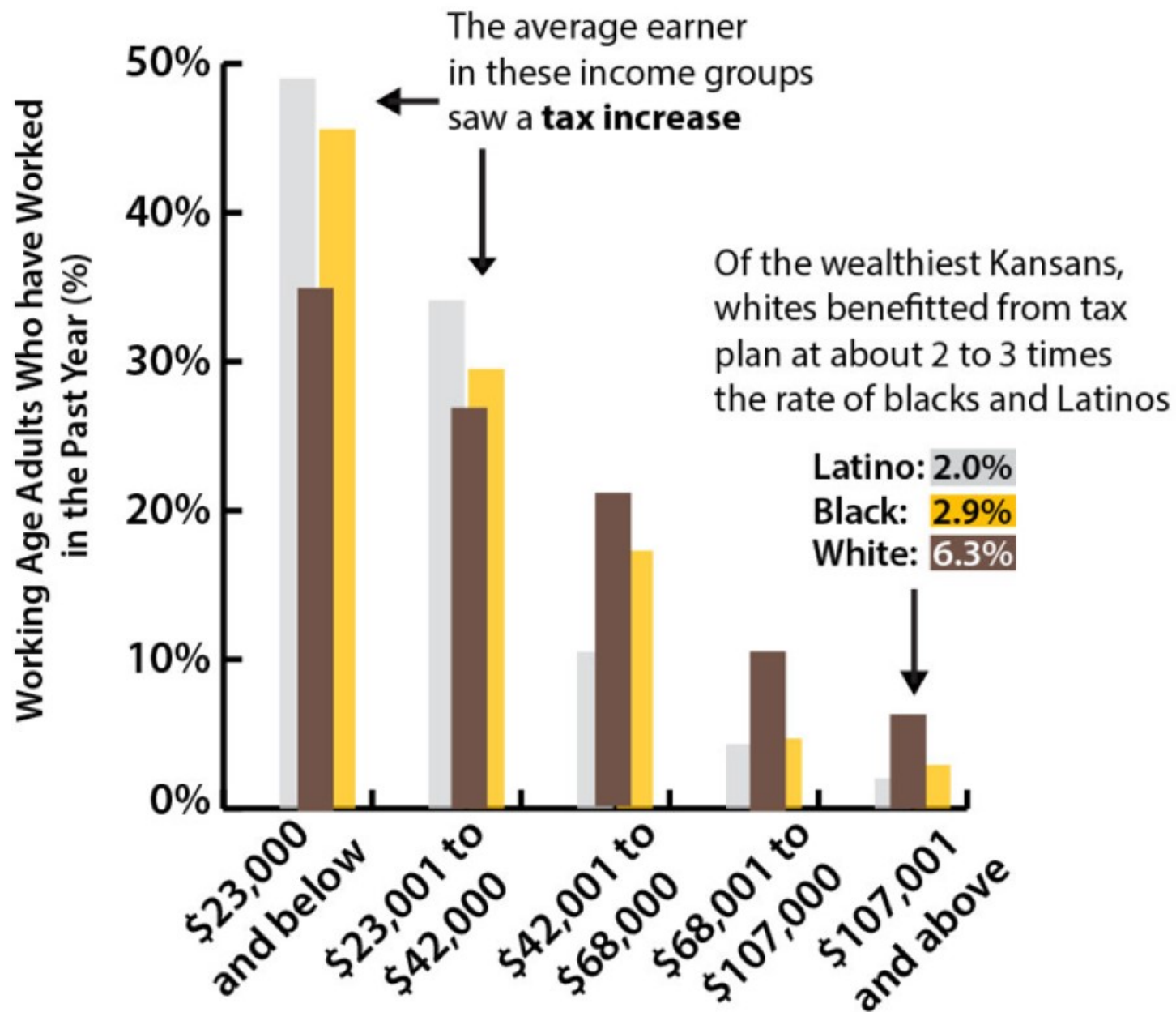
Kansas Taxes in 2016—Who Pays?

The tax cuts enacted in Kansas disproportionately affect the state's poorest residents.
 The bottom 40% of Kansas earners see a tax increase, even with the 2012 tax cuts.





Institute for Taxation and Economic Policy analysis, tax changes between 2012 and 2015.

Kansans of Color are More Likely to be in Income Groups Negatively Affected by Tax Plan

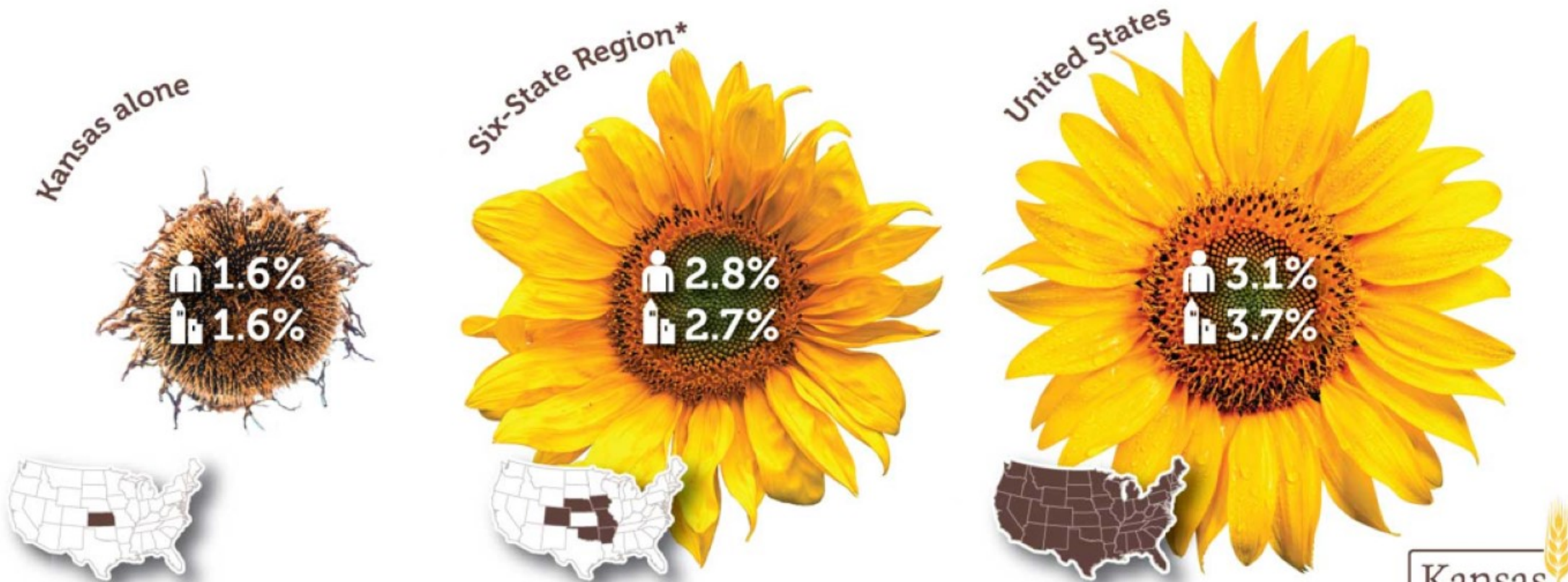


Source: 2014 American Community Survey Public Use Microdata (PUMS), total individual earnings for working age adults (ages 18-64) who have worked in the past year.

A WILTING KANSAS ECONOMY

Governor Brownback's 2012 plan to eliminate the state income tax has failed to grow the Kansas economy as promised. In both  **PERSONAL INCOME** and  **GROSS DOMESTIC PRODUCT**, Kansas lags the six-state region and the nation. Without changes in tax policy, the state's fiscal health will wither alongside our economic performance.

How has Kansas fared since the Governor's tax plan took effect?



*Six-state region includes: Colorado, Nebraska, Iowa, Missouri, Arkansas, and Oklahoma.
Source: Bureau of Economic Analysis; Compound growth rates between Q4, 2012 and Q2, 2016 (most recent data).
GDP data is for private industry, Q1, 2016.



Kansas is broke and there's
no plan to fix it (yet).

What Will Kansas Face in 2017?

THE SOLUTION



1. Stop the bleeding
2. Broaden the tax base
3. Repair the damage

What can you do?



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