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

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Responsible Policy. Real Prosperity.
What Will Kansas Face in 2017?

THE CRISIS
Latest View of Kansas Budget
State General Fund  
FY 2017  
(July 1, 2016 to June 30, 2017)  
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$ 37</td>
</tr>
<tr>
<td>Estimated Receipts</td>
<td>$ 5,980</td>
</tr>
<tr>
<td>Total Available</td>
<td>$ 6,017</td>
</tr>
<tr>
<td>FY 2017 Expenditures</td>
<td>$ 6,270</td>
</tr>
<tr>
<td>FY 2016 Unpaid Bills</td>
<td>$ 87</td>
</tr>
<tr>
<td>Approved Expenditures</td>
<td>$ 6,357</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$(340)</td>
</tr>
</tbody>
</table>

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 2013:** Kansas’ built-to-fall 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. **November & December 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.
6. **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.
7. **July 2015:** Governor announces $62 million in budget cuts, sweeps, and other gimmicks. The problem is still unsolved.
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:** 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.
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#### 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.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Average Net Tax Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $23,000</td>
<td>$197</td>
</tr>
<tr>
<td>$23,000-$42,000</td>
<td>$66</td>
</tr>
<tr>
<td>$42,000-$68,000</td>
<td>-$29</td>
</tr>
<tr>
<td>$68,000-$107,000</td>
<td>-$316</td>
</tr>
<tr>
<td>$107,000-$205,000</td>
<td>-$983</td>
</tr>
<tr>
<td>$205,000-$493,000</td>
<td>-$3,587</td>
</tr>
<tr>
<td>$493,000 or more</td>
<td>-$24,632</td>
</tr>
</tbody>
</table>

Top 1% = 17,482 more loaves of bread

Bottom 20% = ~140 fewer loaves of bread

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

The average earner in these income groups saw a **tax increase**

Of the wealthiest Kansans, whites benefitted from tax plan at about 2 to 3 times the rate of blacks and Latinos

- Latino: 2.0%
- Black: 2.9%
- White: 6.3%

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?

Kansas alone: 1.6% vs. 1.6%
Six-State Region*: 2.8% vs. 2.7%
United States: 3.1% vs. 3.7%

*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.

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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?

OK... NOW WHAT?
For More Information

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