The Kansas Experiment

Kansas Tax Policy Since 2011
Frank Henderson
John Heim
The Experiment

The Adrenaline Promise

- 100,000 New Jobs
- Revenue Growth
- Population Growth
- Tax cuts pay for themselves
The Results:

- Job Growth
- Population Growth
- State Revenue
  - Income tax receipts
  - Total revenue

---

**Job Growth**

*Kansas Still Behind Region, Nation on Private Job Growth Since Tax Changes*

- Nation: 5.2%
- 6-state Region: 3.9%
- Kansas: 3.8%

Population Growth

Population Growth: Uh Oh!

New population figures reveal Omaha is catching Kansas City plus other distressing facts
Jobs: KS v NE Unemployment

Going Back to Work
Unemployment rate, seasonally adjusted

Source: Bureau of Labor Statistics

Jobs: KS v NE Employment Growth

Kansas Lags Behind
Nonfarm payroll employment, seasonally adjusted

Source: Bureau of Labor Statistics

Revenue

Where are we now?

Highway Fund
KPERS
Tobacco settlement

Browneback delays $92.6 million KPERS payment

Story by Peter Hancock
Friday, April 8, 2016

Topeka — Gov. Sam Brownback’s administration notified the Kansas Public Employees Retirement System on Friday that it would delay a $92.6 million payment into the pension fund that is due to be made as of Jan. 1.

Kansas Lawmakers Propose To Transfer Tobacco Settlement Money From Children’s Funds To General Fund

By Megan Winget - Apr. 8, 2016

Sen. Ty Masterson, an Andover Republican and chair of the Senate Ways and Means Committee, said he prepared to introduce a bill this morning that would take $165 million from the Tobacco Settlement Fund and send it to the General Fund.
1. Sales tax 6.15% to 6.5% (8th highest in US)
   Continue to tax food and medicine
   Supposed to raise $165 million

2. Cigarette Tax 79 cents to $1.29

3. Cut deductions to income tax
   - Mortgage deductions
   - Property tax

Where are we now: Ending Balances
Where are we now:

- General economic measures
- Who pays?
- KS spending on education compared to other states

Where are we now: Federal Reserve Economic Indices

September 2016 State Coincident Indexes: Three-Month Change
Where are we now: Who Pays?

Figure 3
Kansas Raised Taxes for the Lowest-Income Families and Cut Them the Most for the Richest

Tax increase or decrease, measured as share of income, of 2012-2013 tax changes

<table>
<thead>
<tr>
<th></th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 13%</th>
<th>Next 8%</th>
<th>Next 4%</th>
<th>Top 9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>1.3%</td>
<td>-0.1%</td>
<td>-0.5%</td>
<td>-0.8%</td>
<td>-1.3%</td>
<td>-1.7%</td>
<td>-2.2%</td>
</tr>
</tbody>
</table>

Source: Institute on Taxation and Economic Policy

State General Funding Per Student Still Lower Than 2008 in 23 States

Kansas Operational Funds Fourth from bottom in change since great recession
What do policy supporters say?

– More like long-term care than adrenaline shot
– Businesses are being “created”
– “Rural recession”
– Oil and gas Revenue
– Unemployment is down
– Education Funding “Increased”

Some things to think about...

– No tax states
– How do Kansans Feel
– Was there another goal?
– Is it getting better?
What do they have in common?

7 STATES WITHOUT INCOME TAX

[Map showing seven states without income tax: WA, NV, NY, SD, AK, TX, and the surrounding states with shades indicating the absence of income tax.]

[Images of various locations and landmarks related to the states mentioned.]
What do Kansans Think?

Figure 28: Opinion on the Tax Exemption of Limited Liability Corporations (LLCs)

Question: Currently, businesses that are classified as Limited Liability Corporations or LLC's are exempt from state income taxes in Kansas. Do you feel that the... (n=1,043)

- 39% LCC Tax exemption should be kept
- 61% LCC Tax exemption should be removed

Question: Currently, businesses that are classified as Limited Liability Corporations or LLC's are exempt from state income taxes in Kansas. Some think that this has caused businesses to reclassify themselves as LLCs to avoid taxes. While others think that the tax exemption is helping small businesses. Do you feel that this tax exemption should be kept in place or removed? (See Appendix F for more notes about this question)

What do Kansans Think?

Figure 8: Taxes You Would Favor Increasing

Which of The Following Taxes Would you Favor Increasing?
(Percent Yes) (n=1,043)

- Income Tax 51%
- Property Tax 30%
- Sales Tax 25%

Question: Which of the following taxes would you favor increasing?
What do Kansans Think?

Figure 10: Tax Changes on Various Groups

What is your opinion of whether taxes should increase, remain the same, or decrease for each of the following groups? (n=1,043)

<table>
<thead>
<tr>
<th>Group</th>
<th>Increase</th>
<th>Remain the Same</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Corporations</td>
<td>62%</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Top Income Earners</td>
<td>59%</td>
<td>31%</td>
<td>9%</td>
</tr>
<tr>
<td>Small Businesses</td>
<td>21%</td>
<td>32%</td>
<td>48%</td>
</tr>
<tr>
<td>The Middle Class</td>
<td>7%</td>
<td>48%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Question: Tax increases and reductions can be targeted at different people or businesses. Please tell us whether you think taxes on the following groups should increase, remain the same, or decrease.

What do Kansans Think?

Level of Satisfaction with Elected Officials (n=1,043)

<table>
<thead>
<tr>
<th>Official</th>
<th>Very Satisfied</th>
<th>Somewhat Satisfied</th>
<th>Neutral</th>
<th>Somewhat Dissatisfied</th>
<th>Very Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Kansas Supreme Court</td>
<td>15%</td>
<td>38%</td>
<td>21%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>U.S. Senator Jerry Moran</td>
<td>12%</td>
<td>32%</td>
<td>21%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>President Barack Obama</td>
<td>21%</td>
<td>19%</td>
<td>7%</td>
<td>11%</td>
<td>43%</td>
</tr>
<tr>
<td>The Kansas Legislature</td>
<td>4%</td>
<td>25%</td>
<td>15%</td>
<td>25%</td>
<td>32%</td>
</tr>
<tr>
<td>Governor Sam Brownback</td>
<td>5%</td>
<td>14%</td>
<td>7%</td>
<td>12%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Question: How satisfied are you with the overall performance of the Kansas Legislature? State representative in your district? State senator? Senator Pat Roberts? Senator Jerry Moran? Governor
What do Kansans Think?

Figure 35: Satisfaction with Governor Sam Brownback’s Performance (Trend Analysis)

Satisfaction with Governor Brownback’s Performance has steadily decreased since October of 2012, with October 2016 being the highest level of those who indicated they were “Very Dissatisfied.”

OUR GOAL IS TO SHRINK GOVERNMENT TO THE SIZE WHERE WE CAN DROWN IT IN A BATHTUB.

Grover Norquist
American Politician
You’re asking us?

Maybe we know a little something...
Kansas Republicans Rebuke Their Conservative Governor

Moderate GOP candidates for the state legislature ousted more than a dozen incumbents aligned with Sam Brownback in primaries on Tuesday.

---

Dark revenue forecast boosts budget shortfall to $345 million

New forecasts show huge budget holes ahead for Kansas; Democrat worries of state layoffs

Topeka — New state revenue forecasts were released Thursday showing the state of Kansas will face a revenue shortfall of nearly $350 million in the current fiscal year, and another $638 million in the next fiscal year that begins July 1.

And that does not take into account any additional spending the Kansas Supreme Court may order to resolve the ongoing school finance lawsuit. The governor did not offer any immediate plans for closing the shortfall, but some leaders Democrat warned, "must..."