



The Colorado Fiscal Institute presents The 2016 Fiscal Forum

"The Road to Prosperity Starts with Equity"

Friday, January 15, 2016

"Kansas: 'A Real Live Experiment' That Went Horribly Wrong"

Brownback signs large state income tax cut

May 22, 2012

1. The existing rates, ranging from a high of **6.45%** to a low of **3.5%**, will drop to **4.9%** and **3%** in **January.**”
2. “The law will **increase the standard deduction** for single head-of-household filers from \$4,500 to **\$9,000.**”

3. “Taxes on nonwage income for owners of about **190,000 businesses will be eliminated**. The beneficiaries of this change will be owners of the **limited liability corporations, subchapter-S corporations and sole proprietorships.**”
- 190,000 becomes 330,000
 - Includes all farms

“The bill **slashes state income tax by roughly \$3.7 billion** over five years with state fiscal analysts **projecting budget deficits reaching \$2.5 billion in 2018.**”

Economist Arthur Laffer says tax cuts will help Kansas grow

August 14, 2012

- “Our new policy **will be like a shot of adrenalin** into the heart of Kansas economy.”
Sam Brownback
 - “Will add 23,000 new jobs?”
 - “Will add 35,000 people to population growth.”
- “We’ll see how it goes. **We’ll have a real live experiment.**” Brownback, 6/19/12



REPUBLICANS FOR KANSAS VALUES
Financial Responsibility • Quality Education • Social Tolerance



Consequences of the 2012 Brownback Income Tax “Real Live Experiment”

#15



#1

#15: *Primary Election Purge of Senate Republicans*

The New York Times

In Kansas, Conservatives Vilify Fellow Republicans

August 5, 2012

TOPEKA, Kan. - After **publicly criticizing elements of Gov. Sam Brownback's tax plan** this year, Mr. Kelsey found himself among a cluster of conservative Republican state senators that a more conservative coalition here is working to defeat in Tuesday's primary elections.

- **9 out of 10 targeted moderate GOP senate incumbents ousted.**
- Kansas Chamber of Commerce and **Americans for Prosperity (Koch)** supported "Purge".



#14: 2013 Sales Tax Increases to 6.15% from 5.7%



Kansas Legislature Approves Higher Sales Tax, Lower Income Tax After Contentious Debate

June 2, 2013

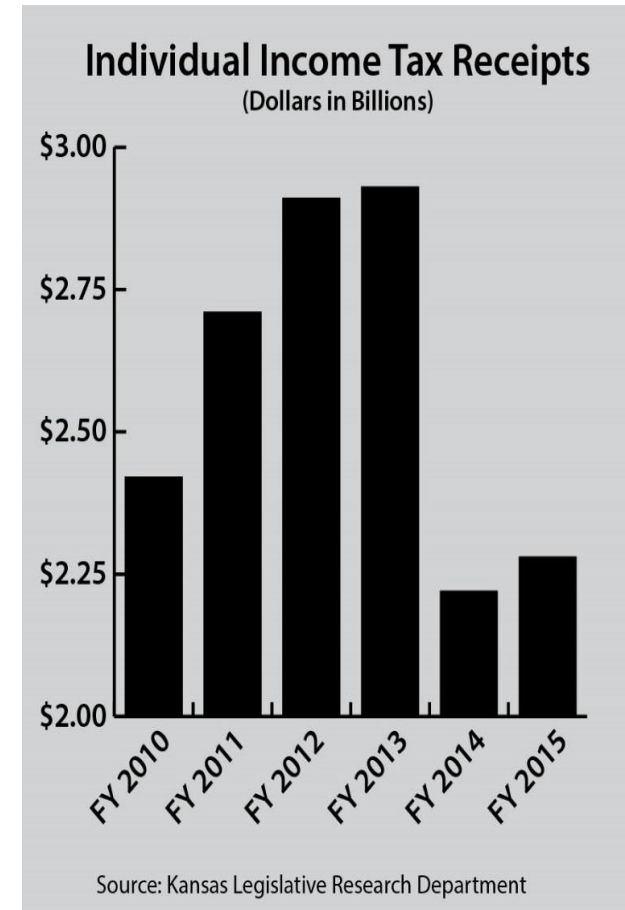
- “The plan will set the state's sales tax rate, which was scheduled to decrease to **5.7% percent, at 6.15%.**”
- “The state's top **income tax rate is slated to drop from 4.9% to 3.9%** over five years, and the **bottom rate is set to drop from 3% to 2.3%.**”



#13: Individual Income Tax Revenue Plummetts

What Happened Next?

- Predictably, revenues plummeted.
- Kansas lost more revenue in the first full year of the tax policy changes than it did in the three years of the recession – combined.

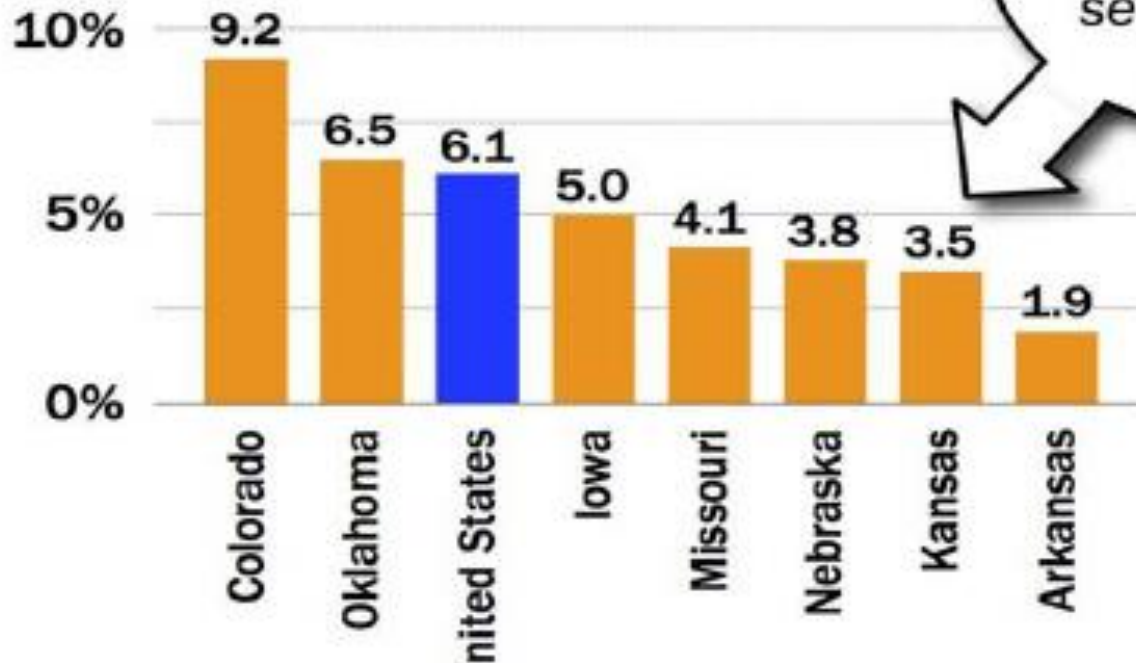


#12: Economy and Job Growth Stagnant

Kansas job growth lags neighbors

Jan. 2011 through June 2014.

Data source: US Bureau of Labor Statistics



Kansas is next to last for job growth in its seven-state area.

Ugly jobs report exposes recent deceit of Gov. Sam Brownback

December 18, 2015

- **“The state lost 2,600 total nonfarm jobs in **November** from October, according to state and federal officials.”**
- “Kansas had *fewer* jobs in November than it did in February of this year.”

#11: Kansas Population not Growing



Kansas population growing, but just barely

December 31, 2015

- “State population estimates belie Gov. Sam Brownback’s continuing claim that the sun is shining in Kansas.”
- “ ‘The sun is somewhere behind a big cloud bank.’ said Fort Hays State University political science professor Chapman Rackaway. ‘There is sunshine out there, but it is rarely falling on us’.”



#10: Deficit Spending in Kansas

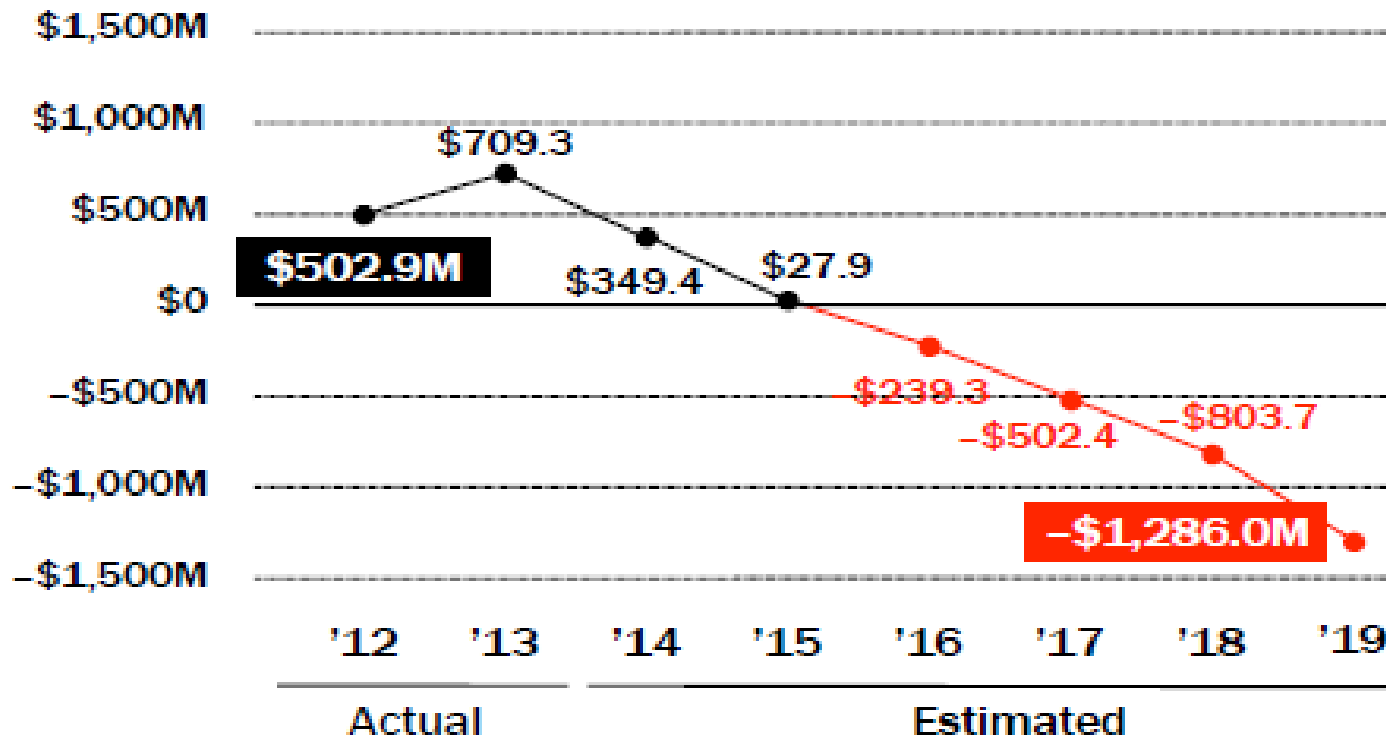
Brownback deficit spending:

-\$321MM in FY 2015 and

-\$1.28B by FY 2019

At the end of each fiscal year, in millions of dollars.

Data source: Kansas Legislative Research Department State General Fund Profile, June 30, 2014



Duane Goossen: State budget woes like déjà vu all over again

January 1, 2016

- **“A \$709 million bank balance went to zero in less than two years.”**
- **“With the bank account empty, lawmakers began drawing hundreds of millions from other state government accounts. The highway fund has been the prime target, but many other funds, including those set aside for early childhood programs and economic development, also were sacrificed in the attempt to keep the general fund solvent.”**

#9: Wall Street Downgrades Kansas Credit & Bond Rating



“SUMMARY RATING RATIONALE: The downgrade reflects Kansas’ relatively sluggish recovery compared with its peers, **the use of non-recurring measures to balance the budget, revenue reductions (resulting from tax cuts) which have not been fully offset by recurring spending cuts,** and an underfunded retirement system for which the state is not making actuarially required contributions.”



#8: Mental Health Hospital Federal Funding Terminated



Crisis at Osawatomie State Hospital reflects erosion of services in Kansas government

December 26, 2015

- “The federal government’s decision to halt Medicare payments for patients at Osawatomie State Hospital has brought to light horrific incidents and troubling safety issues at the state-run hospital for adults with severe psychiatric disorders.”
- **“The loss of federal funding could cost \$10-\$12MM per year.”**



#7: Foster Care and Adoption Services Investigated



Gov. Sam Brownback calls for an audit of Kansas foster care and adoption

December 8, 2015

- “Last week, in a sealed 2013 court ruling, a judge wrote that DCF conducted a ‘witch hunt’ looking for negative information about a lesbian couple seeking to adopt an infant they had cared for since birth.”



#6: Medicate Expansion Denied: Hospital Closes

The★Star
THE KANSAS CITY STAR

Closing of Kansas hospital adds to Medicaid expansion debate

October 17, 2015

- “Kansas will lose its first hospital in nine years when Mercy Hospital in Independence begins a phased closure starting Oct. 10 – a victim of changes in hospital reimbursement and slow depopulation.”



#5: Public Safety Compromised: Troopers and Prison Guard Staffing Hurt



Kansas is short on prison guards, Highway Patrol troopers amid budget woes

January 3, 2016

- **“The staffing problem at state prisons is disquieting and potentially dangerous, lawmakers say.”**

Prison Guard Shortage Has Kansas Hiring 18-Year-Olds

January 3, 2016



#4: Public Education Funding Hurt

Consequences of Failed Tax Policy: K-12 Education

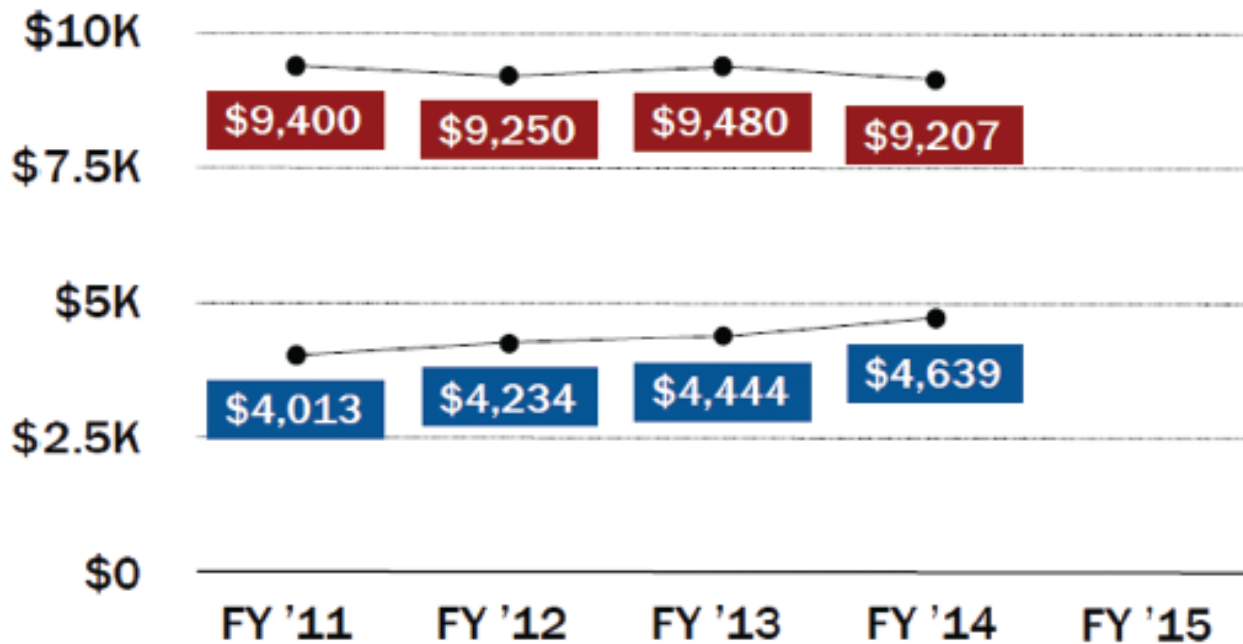
Kansas provided
10.3% less K-12
school funding per
student in 2014
than in 2008.



University Funding Suffers

SGF funding per FTE student compared to tuition rates, the University of Kansas

Data sources: SGF funding per FTE student, KU Office of Public Affairs.
Tuition rates, Kansas Board of Regents



Kansas is only one of eight states in the U.S. where pre-recession cuts to colleges have continued.⁴



**#3: Debt Increases and Highway Funding Plummets from
Transfers to Support General Fund Deficits**

***Kansas contractors' billboards display
pointed view on KDOT funding***

January 8, 2016

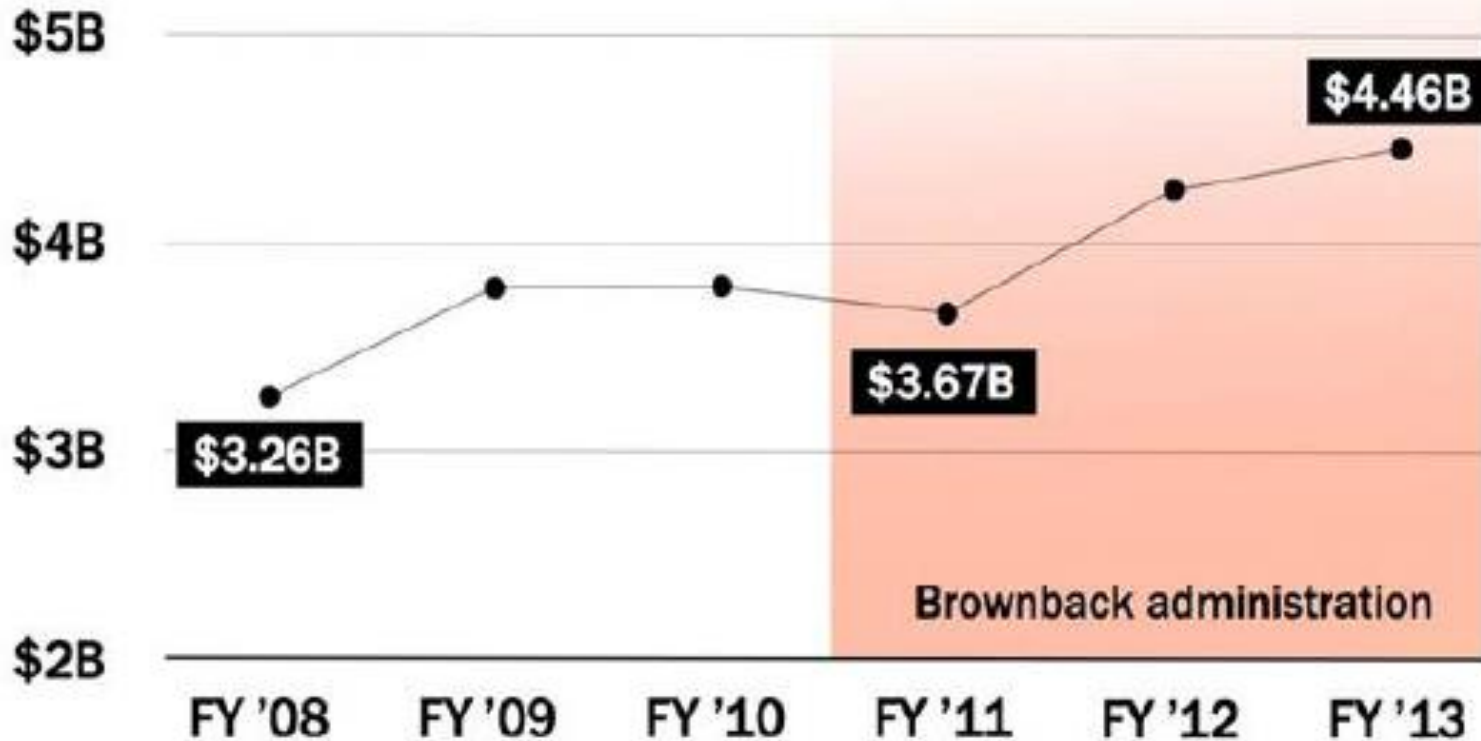
**Road signs equate \$1 million in daily transfers to
'highway robbery'**



State of Kansas bonded indebtedness, in billions of dollars

Principal balance as of the end of the fiscal year.

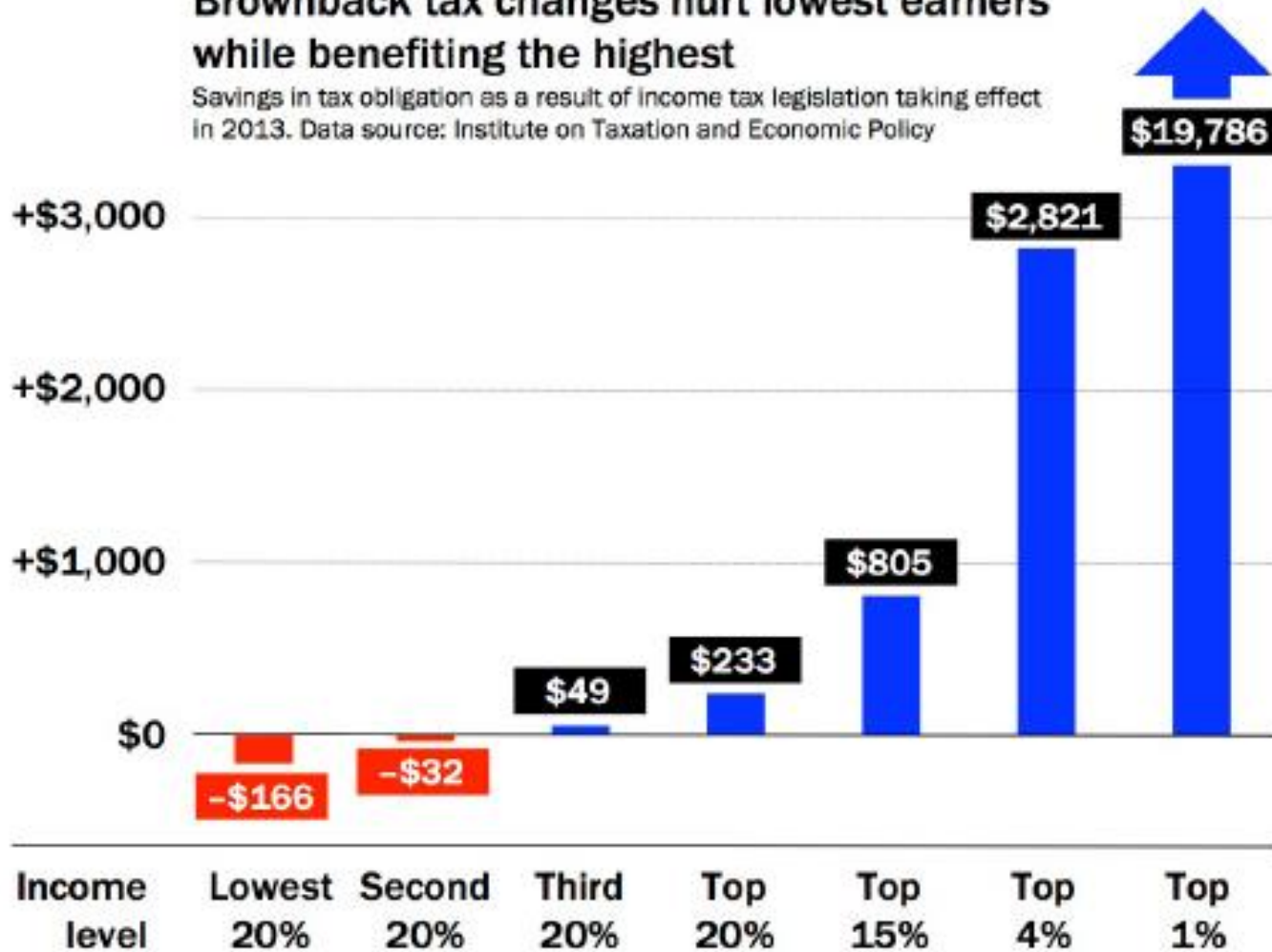
Data source: Kansas Legislative Research Department



#2: Tax System Narrows and Tax Shifts to Middle and Lower Income Kansans and to Property Tax

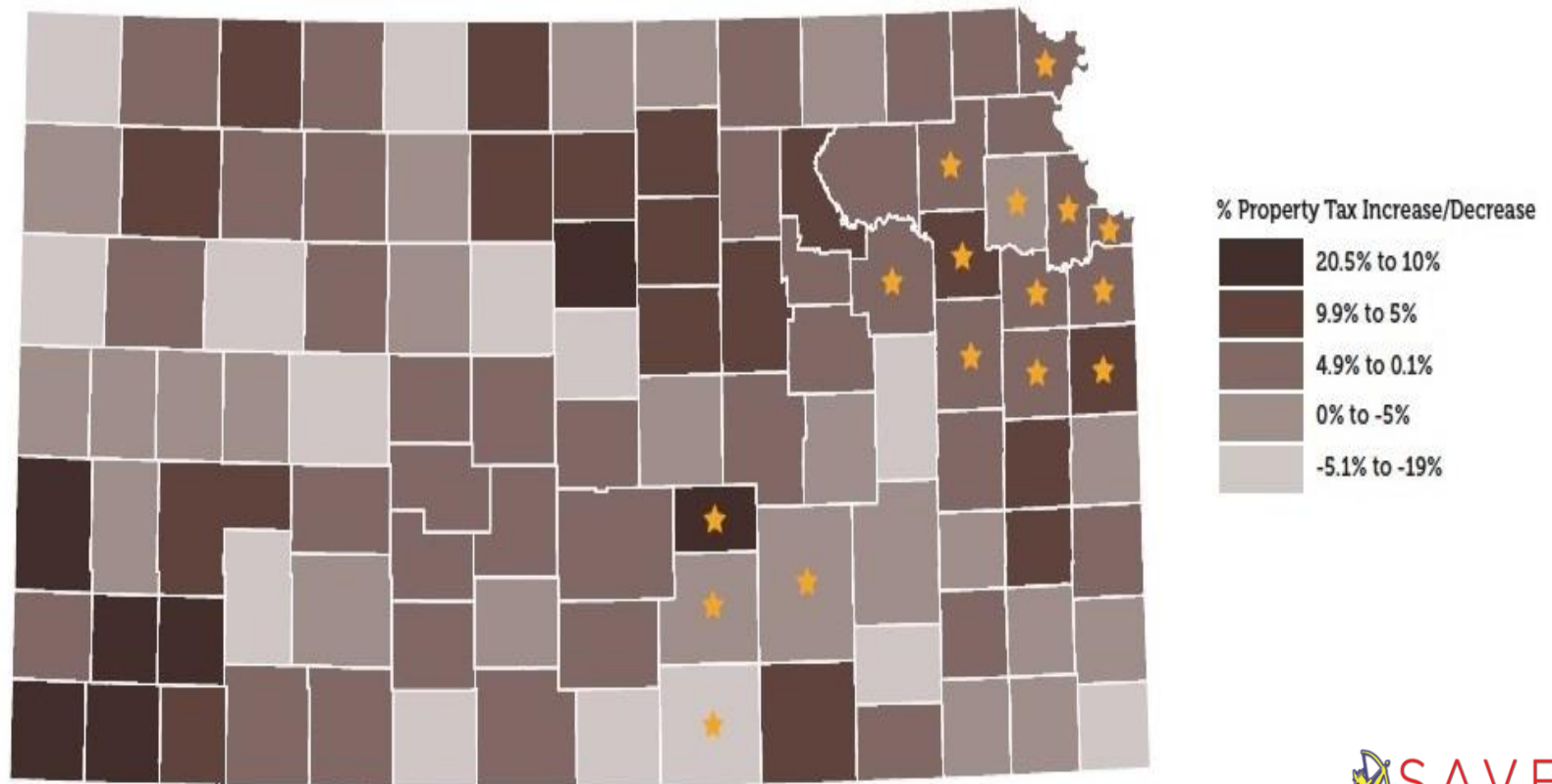
Brownback tax changes hurt lowest earners while benefiting the highest

Savings in tax obligation as a result of income tax legislation taking effect in 2013. Data source: Institute on Taxation and Economic Policy



Consequences of Failed Tax Policy: Higher Property Taxes

★ Indicates Urban County, as designated by the Economic Research Service, USDA



Source: Analysis of data from Kansas Association of Counties Research Report, 2012 and 2013



#1: 2015 “Largest Tax Increase in State History” and Perpetual Funding/Deficit Crisis



Kansas legislators approve ‘Band-Aid’ budget with largest tax increase in state history

June 12, 2015

- “Kansas will avoid massive budget cuts after a tax plan crawled to passage in the Legislature on Friday, but **some lawmakers who voted for the plan say the state has failed to right its financial ship.**”
- “Goal is to fix a **\$400 million budget hole.**”



- “The measures will instead **raise the sales tax to 6.5% from 6.15% in July and hike taxes on cigarettes by 50 cents per pack** to help balance the state’s budget.”
- “Brownback had warned that if lawmakers did not pass a tax plan before Monday, then **he would make massive budget cuts – either issuing a 6.2% across-the-board cut** costing schools nearly \$200 million, or line-item vetoes of budgets for the state’s regents universities.”

How Did Kansas End the 2015 Session?

Kansas is still living paycheck to paycheck.

\$63 million in extra budget cuts and transfers



\$430 million tax increase - the largest in Kansas history



Approximately \$300 million in sweeps from Kansas programs



Even after all of this.

Source: Kansas Legislative Research Department budget documents

www.realprosperityks.com



New budget forecast predicts \$354 million deficit for Kansas through 2017

November 6, 2015

- **“The new forecast predicts \$354 million less in state revenues from now through June 2017 than previously predicted.”**

Kansas tax collections \$27M short of expectations in December, raising more budget concerns

January 4, 2016

- “The Kansas Department of Revenue said Monday that a sharp drop in income tax withholdings, combined with lower-than-expected sales tax receipts, were the main cause of the shortfall.”
- “All told, for the first half of the current fiscal year, **revenues have fallen \$19.2 million short of estimates.**”

Kansas Supreme Court strikes down judicial selection law, putting funding for courts in jeopardy

December 23, 2015

- “In the case that **threatens all funding for the entire state judicial branch**, the Kansas Supreme Court on Wednesday struck down a new law that changes the way chief judges in the lower courts are selected.”
- “That decision could put funding for the judicial branch in jeopardy because lawmakers passed a funding bill this year that includes what’s called a “non-severability” clause that says **if the judicial selection law is overturned, all funding for the courts for the next two years also becomes null and void.**”

Right takes aim at judicial independence

January 4, 2016

- “2016 could be the year that Kansas’ tradition of judicial independence dies, a victim of excessive political ideology and civic indifference.”
- “Four veteran justices of the Kansas Supreme Court will be on the general election ballot in retention votes.”
- “In the 58-year history of retention votes for Kansas Supreme Court positions, no member has been removed.”

***Optimism that we can
fix Kansas!***



New Breeding Program Aimed at Keeping Moderate Republicans from going Extinct



A rare moderate Republican is safely tranquilized before being brought to his breeding pen.

Brownback public opinion suffers

November Survey Results

Only 21% of Kansans believe that Kansas is heading in the right direction

- In fact, only 21% of Republican women believe Kansas is heading in the right direction.

71% of all Kansans surveyed don't like how Sam Brownback is handling his job as Governor:

- 57% of Republicans disapprove of the job Brownback is doing including 59% of Republican women and 71% of Republicans who do not describe themselves as Very Conservative.



Brownback public opinion suffers

November Survey Results

67% of Kansans surveyed do not like Sam Brownback personally making him the least well-liked public figure in Kansas.

- Sam Brownback had a net -36 favorability, below Hillary Clinton's -31, and Barack Obama's -20, and Donald Trump's -19.

71% of Kansans surveyed believe Brownback's tax policies have been damaging to Kansas, while only 19% believe they have helped.

55% of Kansans surveyed believe Brownback is corrupt because of his administration's ties to lobbyists and special interests, while 35% of Kansans surveyed disagreed with this sentiment.



Kansas Speaks 2015

Statewide Public Opinion Survey



Fort Hays State University "Kansas Speaks Survey"
September 12-October 4, 2015 shows since Brownback
took office illustrates a downward spiral from **entering
office at 69% down to 18% today!**



Kansas Speaks 2015

Statewide Public Opinion Survey



- “Only 28% percent of respondents were “very” or “somewhat satisfied” with President Obama, while **even fewer (18%) were “very” or “somewhat satisfied” with Governor Brownback.**”
- “Almost three-quarters (74%) of respondents felt what they paid in sales tax, property tax and state income tax compared to two years ago had ‘increased,’ and only 5% felt it had ‘decreased’.”

75,000 Americans Rate U.S. Governors' Job Performance in New Morning Consult Survey

November 20, 2015

WASHINGTON (November 20, 2015) — Morning Consult today released a survey of more than 75,000 voters across all 50 states looking at U.S. governor job approval performance. The survey reveals that 34 of the nation's governors have approval ratings of 50% or higher. Only ten governors have higher disapproval ratings than approval ratings.

- **“Kansas Gov. Sam Brownback (R) has the lowest job approval rating with 26% of Kansas voters say they approve, and 65% say they disapprove.”**