



Kansas income tax cut prompts new debate

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Led by Republican Gov. Sam Brownback and a Republican legislature, Kansas has dramatically cut income taxes on the theory that lower tax rates would spark economic growth.

Instead, the Kansas economy has grown at a slower rate than the national average.

With dramatically lower revenues coming in as a result of the tax cuts, education funding now relies almost entirely on sales and property taxes. For districts with lower property values, this means schools are disproportionately struggling. And the state Supreme Court is threatening to shut down schools if the legislature is unable to find a way to fund the districts equally by the end of the month.

While Democrats point to Kansas as an example of tax cuts gone wrong, Republicans are playing a waiting game, arguing the cuts just need more time to produce the intended effects. Beyond that, tax experts say the cuts are not the only factor in the state's lagging economy – pointing to the farm economy, the shrinking aerospace industry and government spending.

“Industry research on this finds overwhelmingly that state income tax is not important in driving state economic growth,” said Michael Leachman, director of state fiscal research at the left-leaning Center on Budget and Policy Priorities. “Revenues continue to come in less than state expects even with lowered expectations.”

Kansas Policy Institute President David Trabert said there's been a lot of misinformation surrounding the cuts and that Kansas is spending 34 percent more per resident than the 10 states with the lowest income taxes.

“It just comes down to how much you choose to spend on those services to provide them and that drives how much more you have to tax,” Trabert said. “That comes down to political will, Democrats and some of the Republicans have no appetite for reducing the cost of government.”

Jonathan Williams of the American Legislative Exchange Council, a free-market group focused on state legislation, said that when the tax cuts went into effect, there were no revenue offsets implemented, leading to shortfalls.

While the governor originally intended to include more planned cuts, the Kansas legislature pushed him on these, forcing him to either wait a year or leave the spending cuts out. He chose to go forward with the tax cuts. Still, Williams said these types of tax cuts can take three to five years to show positive outcomes.

“There’s a lot going on, and people are confusing correlation versus causation,” said Williams, vice president for the Center of Fiscal Reform at ALEC. “In reality, there are a lot of underlying problems.”

Yet, state budgets don’t have the luxury of time, according to Norton Francis, a senior research associate at the Urban-Brookings Tax Policy Center.

“Education is more than 50 percent of the budget in Kansas,” Francis said. “If they want to maintain those tax cuts, education suffers.”

Williams said that the state Supreme Court didn’t have the authority to say whether educational funding is inadequate, and it’s a separation-of-powers issue.

“The legislative branch is in charge of appropriating dollars, the Supreme Court, judicial branch, overstepped its constitutional authority,” Williams said.

On a per pupil basis, education spending is at a record high in Kansas in the years since the tax cuts, Williams said, with per pupil spending increasing from \$12,656 in 2012 to \$13,124 in 2015. Even so, Kansas is spending 13 percent less per pupil than it was pre-recession when adjusted for inflation, according to the CBPP.

Chris Edwards, director of tax policy studies at the Cato Institute, chalks this up to spending cuts to small school districts with small numbers of students in schools that could be more efficiently consolidated.

Overall, Edwards said that cuts as extreme as Brownback’s need to be matched with deliberate spending cuts, which did not happen when the cuts were enacted.

Trabert said that had Kansas cut spending by 8.1 percent, they could have balanced their budget.

Kansas is still waiting to hear on a larger ruling on whether school spending is inadequate. If so, the Kansas Legislature will likely go into emergency session. From there, it will likely have two options— find a way to reduce spending, or reverse at least some of the tax cuts.

“Kansas needs to go from being morbidly inefficient to grossly inefficient,” Trabert said. “It’s not about cutting services, it’s about reducing the cost of service.”