SB 181 Proponent Testimony – WRITTEN ONLY
Senate Committee on Ways and Means
Spending Limit Tied to Inflation & Population Growth
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Chair Billinger and Members of the Committee:

We appreciate this opportunity to submit written proponent testimony for SB 181, which sets a cap on state general fund expenditures and transfers linked to inflation and population changes and requires adherence to this cap in budget proposals starting in fiscal year 2027. We hold the following position on SB 181:

1. SB 181 Protects Kansas Families and Businesses from Future Tax Hikes
2. SB 181 Stabilizing the Budget and Reducing Boom-Bust Cycles
3. SB 181 Encouraging Economic Growth and Competitiveness
4. A Spending Limit Based on Private-Sector Growth is an Even Better Benchmark

SB 181 Protects Kansas Families and Businesses from Future Tax Hikes

State spending in Kansas has historically outpaced inflation and population growth, increasing at an average rate of 6.3% annually over the past decade.[1] If this trend continues, lawmakers could eventually consider tax increases to cover unsustainable spending commitments.

By capping spending growth to inflation plus population, we protect taxpayers from the threat of future tax hikes and provide families with more certainty and stability. Just as families must live within their means, this SB 181 ensures government spending aligns with Kansas residents' real-world costs.

SB 181 Stabilizing the Budget and Reducing Boom-Bust Cycles

SB 181 brings predictability to the budget process. During strong economic growth, revenues can surge, tempting policymakers to expand government programs and services. But when a downturn hits, that spending level becomes unsustainable, forcing painful cuts or tax increases.

SB 181 smooths out these fluctuations by limiting spending growth, helping the state build reserves during good years, and avoiding drastic budget measures during tough times. This is especially crucial in Kansas, where the reliance on cyclical revenue sources like income tax makes the budget more vulnerable to economic swings.

SB 181 Encouraging Economic Growth and Competitiveness

States with spending limits often outperform others regarding economic growth and population migration. For example, states with spending limits have seen more substantial job creation and higher net in-migration than high-spending states.[2] By capping government growth, Kansas can remain competitive with low-tax states like Texas and Florida, attracting businesses and families looking for economic opportunity.

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[1] Kansas Policy Institute, *KPI Releases 2025 Responsible Kansas Budget,* February 5th 2024, https://kansaspolicy.org/kpi-releases-2025-responsible-kansas-budget/
[2] Alaska Policy Forum, *Tax and Expenditure Limits: A 50-State Comparison,* February 27th 2020, https://alaskapolicyforum.org/2020/02/SB 181-50-state-comparison/

In addition, limiting spending to inflation and population growth incentivizes efficiency in government operations, ensuring taxpayer dollars are used wisely and focused on core priorities such as education, infrastructure, and public safety.

A Spending Limit Based on Private-Sector Growth is an Even Better Benchmark

While SB 181 is a solid step toward fiscal sustainability, an even better policy measure would be linking spending growth to Kansas's private sector growth. Why? Because the private economy—not the government—drives real prosperity.

Suppose state spending grows only as fast as the private sector. In that case, it ensures that government remains a partner in progress, not a burden. This approach directly ties government growth to the ability of families and businesses to afford it. States that link their fiscal policies to private-sector activity experience more substantial long-term economic stability, better job creation, and less reliance on short-term fixes like federal bailouts or tax hikes.

For Kansas, such a policy would not just smooth out spending volatility; it would help build a more competitive economy and reduce the tax burden on future generations. It aligns the government's priorities with the broader economy's health—making it a more reliable steward of taxpayer dollars.

For these reasons, we urge the committee to pass SB 181.