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Testimony regarding Senate Bill 147
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Thank you for the opportunity to submit written testimony on Senate Bill 147.

My name is Michael Leachman. I am the research director for the State Fiscal Project at the Center on Budget and Policy Priorities in Washington, D.C. We are a research institute that helps states make good fiscal policy decisions.

Five years ago, Kansas embarked on an experiment in state fiscal policy. The hypothesis was that deeply cutting income taxes would generate a burst of economic growth.

That experiment was always at odds with the past experiences of states that tried this sort of approach, and with most of the serious research on what drives economic growth in the states. Not surprisingly, it's gone poorly in Kansas. Rather than experiencing an economic boom, Kansas' economy has grown more slowly than the rest of the country. Job growth since the tax cuts took effect is a paltry 2.2 percent, less than a third of the 7.6 percent growth nationally.

Meanwhile, the state's financial position has weakened significantly, and Kansas has become the national poster child for ideologically motivated fiscal management. Revenues are far below where they were before the tax cuts were implemented, and even further below where they need to be to keep up with the rising cost of paying to educate children, provide health care to seniors, and provide other needed services. To balance the budget, the state has employed a series of questionable budget tricks – spending down the funds the state uses as a piggy bank to prepare for the next recession and raiding the fund for maintaining the state's road system, for example. And now the governor has proposed a series of gimmicks including securitizing the tobacco settlement fund and putting off paying the bill for teacher retirements, among other steps that would add to the state's longer-term costs.

While the current situation is bad, things will only get worse if Kansas doesn't reverse course. The additional tax breaks set to kick in over the next few years will likely further erode the state's financial position, unless the state reduces funding needed to educate the state's children and to provide other services that help lay the foundation for tomorrow's economy. Gimmicks and one-time measures will only carry the state so far, especially at a time when the federal government is likely to reduce the financial assistance it provides and the country is due for a recession for which Kansas is far from prepared. Ten years ago, as the last recession approached, Kansas held $932 million in its operating reserves – over 16 percent of the state's expenditures – making Kansas much better prepared for a downturn than the average state at the time. Today, the state's operating reserves are more or less gone, leaving Kansas as one of the most poorly prepared states in the country for the next recession.

To save its future, Kansas must put its fiscal house back in order as quickly as possible. That means halting the so-called "march to zero" by repealing the additional income tax rate cuts currently on the books for future years and repairing the damage done by the tax cuts already in place. Senate Bill 147 would take some important steps in the right direction, but a broader policy response – including repealing the additional rate cuts scheduled for the future and raising enough revenue to meet ongoing expenses – will be required to fully heal the state's finances.