



## Testimony to Senate Assessment & Taxation Committee SCR 1602 Constitutional Amendment for Revenue, Spending and Tax Limits March 15, 2017 Dave Trabert, President

Chairperson Tyson and Members of the Committee,

We appreciate this opportunity to testify in support of SCR 1602, a constitutional amendment that would place revenue, expenditure and taxation limitations on state government.

Rather than examine the various moving parts of the proposal, my testimony will focus on the need for a constitutional tax and expenditure limit in Kansas. Dr. Barry Poulson, primary architect of Colorado’s tax and expenditure law, said in a 2011 paper he authored for Kansas Policy Institute, “A budget stabilization plan is needed in Kansas because over the past decade the state created a structural deficit in the budget. Instead of planning for the inevitable downturns in the economic cycle, the state chose to ratchet up spending during good times and depleted reserves when revenue growth slowed. The result is a structural deficit in the state budget.”<sup>1</sup>

To listen to media and tax relief opponents, one might think structural budget deficits are a recent phenomenon but that’s a long-standing tradition in Kansas. As shown in the adjacent table, General Fund spending exceeded tax revenue in seven of the thirteen fiscal years from 1998 through 2010 and total General Fund spending was \$1.7 billion above tax revenue for the period.

State General Fund (millions)			
Year	Spending	Tax Revenue	Shortfall
FY 1998	\$ 3,799.1	\$ 3,962.1	\$ 163.0
FY 1999	\$ 4,196.2	\$ 3,876.7	\$ (319.5)
FY 2000	\$ 4,367.6	\$ 4,097.6	\$ (270.0)
FY 2001	\$ 4,429.6	\$ 4,231.8	\$ (197.8)
FY 2002	\$ 4,466.1	\$ 3,996.5	\$ (469.6)
FY 2003	\$ 4,137.5	\$ 4,142.0	\$ 4.5
FY 2004	\$ 4,316.5	\$ 4,387.3	\$ 70.8
FY 2005	\$ 4,690.1	\$ 4,718.5	\$ 28.4
FY 2006	\$ 5,139.4	\$ 5,325.3	\$ 185.9
FY 2007	\$ 5,607.7	\$ 5,794.7	\$ 187.0
FY 2008	\$ 6,101.8	\$ 5,907.4	\$ (194.4)
FY 2009	\$ 6,064.4	\$ 5,408.3	\$ (656.1)
FY 2010	\$ 5,268.0	\$ 4,985.9	\$ (282.1)
<b>Total</b>	<b>\$ 62,584.0</b>	<b>\$ 60,834.1</b>	<b>\$ (1,749.9)</b>

*Source: Kansas Division of Budget, Governor's Budget Reports*

Dr. Poulson went on to say, “A tax and expenditure rule is linked to rules for the disposition of surplus revenue. Absent tax and expenditure rules, surplus revenue is annualized to expand funding for ongoing programs. Under a rules-based approach to budgeting, surplus revenue is used to meet emergencies, stabilize the budget over the business cycle or earmarked to fund one-time capital projects.”

If Kansas had a budget stabilization fund as proposed in SCR 1602 when the last recession hit, much of the expense slashing could have been avoided. As Dr. Poulson noted, needs for social services

increase during recessionary times and a budget stabilization fund provides a cushion. “One unique aspect of this particular design is the counter-cyclical nature of setting spending limits. General Fund spending is allowed to increase faster in times of actual revenue decline as economic downturns bring increased demand for welfare, health care and other human services. Once actual revenues increase, spending is forced down as the demand for recession-related services dissipates.”

History shows us that Kansas needs the discipline of a constitutional limit on spending and taxation, along with a budget stabilization fund. We support SCR 1602 and encourage the committee to report it out favorably.

---

<sup>1</sup> “A Budget Stabilization Plan for Kansas,” Dr. Barry W. Poulson, May 2011 for Kansas Policy Institute. <https://kansaspolicy.org/budget-stabilization-plan-kansas/>