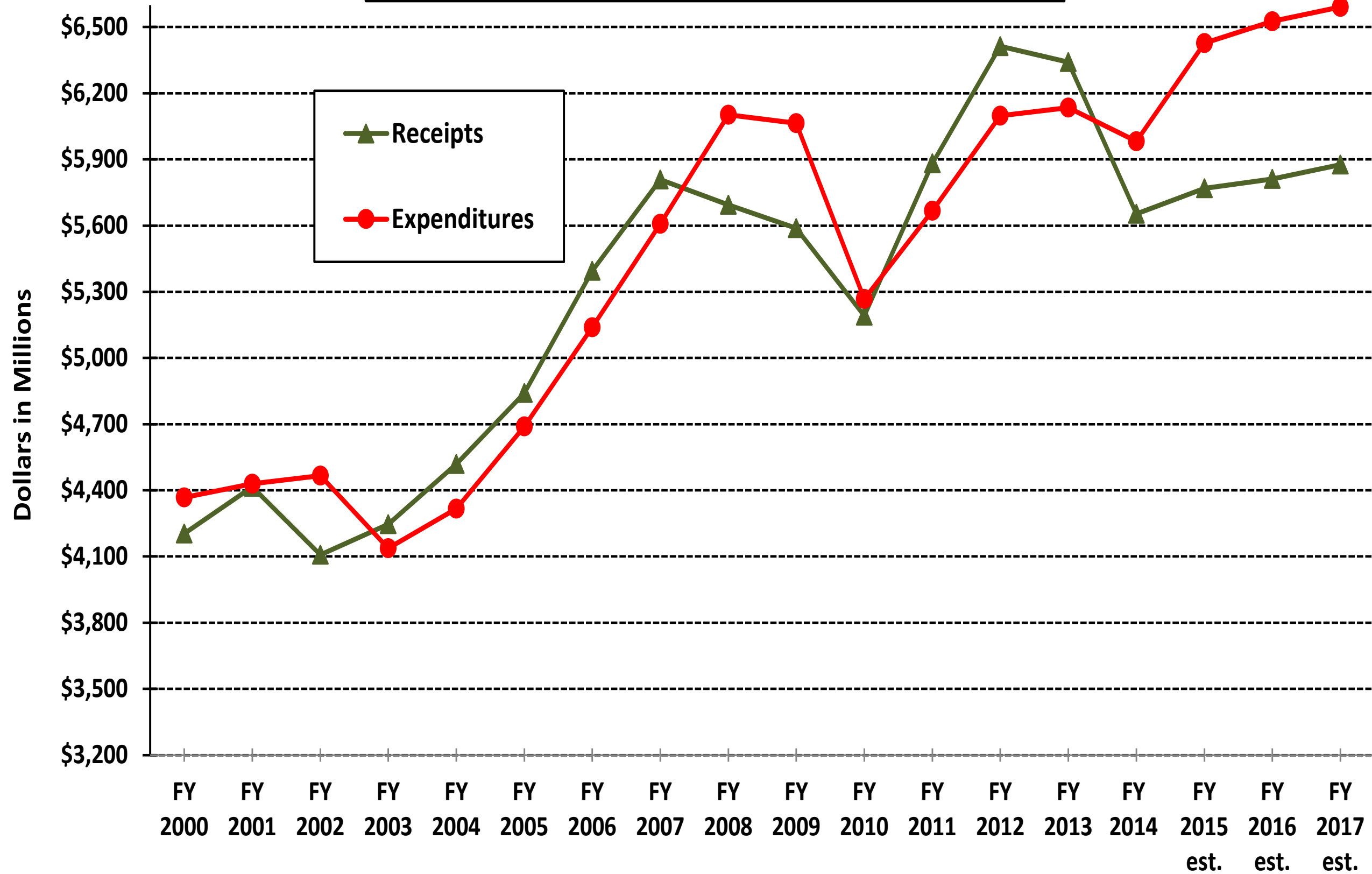


The Kansas Budget



Responsible Policy. Real Prosperity.

State General Fund Receipts and Expenditures



State General Fund

(Dollars in Millions)

Fiscal Years 2016 and 2017

(July 1, 2015 to June 30, 2017)

	<u>FY 2016 (est.)</u>	<u>FY 2017 (est.)</u>
Estimated Revenue	\$ 5,811	\$ 5,877
Recommended Expenditures	\$ 6,408*	\$ 6,419
Difference	\$ (597)	\$ (542)

Source: Consensus Revenue Estimates and KLRD documents

*Includes Governor's recommendation for caseloads; does not include House Sub. for SB 7 (K-12 Block Grants)

Governor's FY 2016 New Revenue Proposals

(Dollars in Millions)

Cigarette/Tobacco Tax Increase \$ 81

Liquor Tax Increase \$ 27

Income Tax Changes \$ 103

Transfer In from Highway Fund \$ 115

Transfers In from Other Funds \$ 53

No Transfer Out to Local Government \$ 54

TOTAL \$ 433

A \$1.50 per pack increase on cigarettes. This is on-going revenue, but not a growing source. Estimates predict income to decline to \$75 million in FY 2017.

A 50 percent tax increase on liquor sales. On-going revenue that potentially grows slightly each year.

In FY 2016, \$30 million of the total comes from a one-time "tax amnesty" program. The larger proposal eliminates future income tax rate reductions that are currently in statute, but also moves general fund revenue growth over 2 percent to a "tax reduction fund" to further lower tax rates.

One-time money that does not address the structural balance problems in the Kansas budget.

State law requires a transfer to local governments to help reduce property tax levies, but this transfer has not been made for many years. Stopping the transfer increases the amount of revenue available.

Tax Policy Changes

Revenue Reductions:

Income Tax Rates		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	Top Rate	6.45 & 6.25	4.9	4.8	4.6	4.6	4.6	3.9
	Bottom Rate	3.5	3.0	2.7	2.7	2.4	2.3	2.3

Business Pass Through Income Exempted from Tax

Revenue Increases:

Sales Tax Rate at 6.15 % rather than 5.7 %

Income Tax Deductions and Credits Limited

Net Result: Kansas receives \$3.7 billion less through 2018

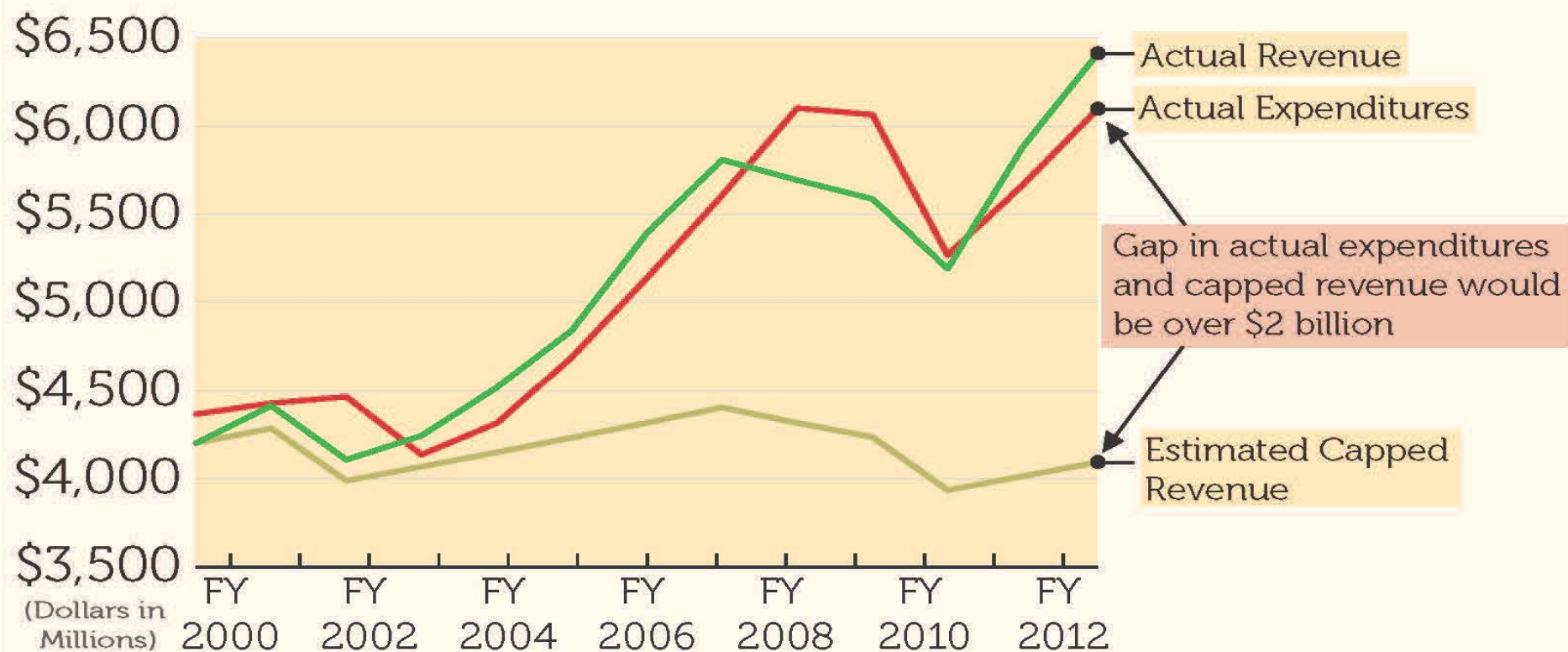
Governor's Proposed Solution Makes Kansas' Crisis Permanent

Revenue Cap Rolls Back Investments in Kansas

The governor's budget and a proposed bill would impose a 2 percent cap on what the state can invest in schools, roads and keeping Kansas communities healthy and safe. Any additional revenue would be used to continue the "march to zero" to eliminate the income tax.

If the governor's proposed cap had been in place more than a decade ago, Kansas would have had about \$2 billion less in revenue for our most important investments. That \$2 billion is equal to about two-thirds of spending on K-12 education in 2012, or for example, our investment in highway patrol, helping seniors with grocery shopping, safe neighborhoods, local health departments and KanCare combined. This change would permanently leave us in crisis mode and without the resources we need to build a stronger Kansas.

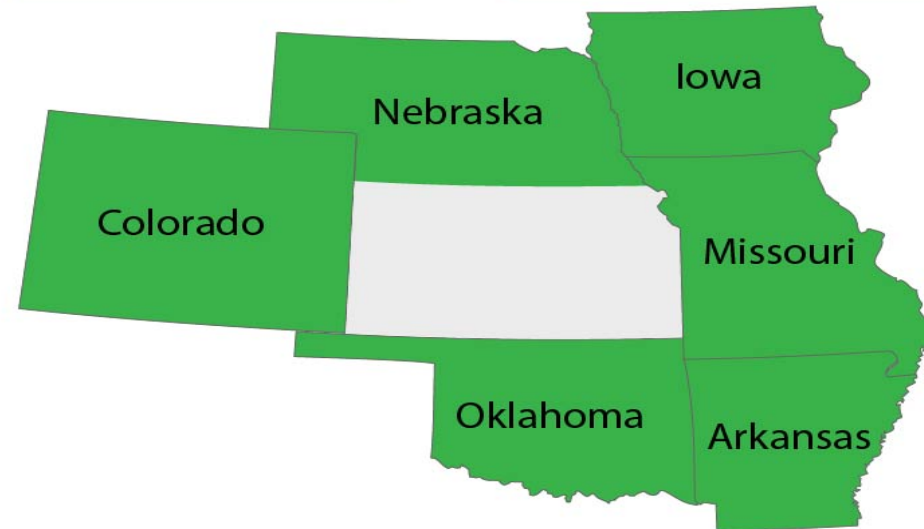
Here's what the revenue cap would've done to previous budgets:



Between 2013 and 2014, the Six-state Region Averaged Revenue and Education Investment Increases...

Revenues:
Up almost 3%

General Aid Per-Pupil:
Up about 1% (about \$32)



While Kansas Revenues and Education Investments have Declined

Revenues:
Down 2.6%

General Aid Per-Pupil:
Down 2.6% (about \$129)



THE STATE OF KANSAS

PURCHASE RECEIPT

SOLD TO: THE PEOPLE OF KANSAS

FOR: UNAFFORDABLE TAX CUTS BEGINNING JANUARY 1, 2013

- | | |
|--------------------------------------|--|
| 1. LAGGING PRIVATE
JOB GROWTH | 1.6% BEHIND NATION
1.1% BEHIND REGION |
| 2. LOW-WAGE JOB GROWTH | ABOUT 50% OF LARGEST &
FASTEST GROWING JOBS
LEAVE FAMILY OF 3 UNABLE
TO MAKE ENDS MEET |
| 3. UNPRECEDENTED BUDGET
SHORTFALL | \$650M FOR FY2016
(AND GROWING) |
| 4. TAX GIVEAWAYS | ALMOST \$20,000 PER YEAR
FOR WEALTHIEST 1% |
| 5. CUTS TO EDUCATION | \$358.5M FROM FY2009 TO
FY2014 |
| 6. PEOPLE STILL LEAVING
THE STATE | NET LOSS OF 4,200 KANSANS
IN 1ST FULL YEAR OF TAX CUTS |

SUBTOTAL: **\$713M LESS** IN REVENUE
FROM FY2013 TO FY2014
BECAUSE OF TAX CUTS

BALANCE DUE: MISSED OPPORTUNITIES TO
INVEST IN KANSAS SCHOOLS,
HEALTH CARE, ROADS,
AND COMMUNITIES

A RECESSION-ERA KANSAS
BUDGET WHILE THE REST OF
THE COUNTRY REINVESTS

THANK YOU FOR YOUR ORDER!

PLEASE BE PREPARED FOR MORE CUTS IN INVESTMENTS
THAT ARE PROVEN TO GROW JOBS AND MAKE
KANSAS A GREAT PLACE TO LIVE.

Sources: Bureau of Labor Statistics; Kansas Dept. of Labor,
Labor Information Center Wage Data Survey; Kansas Legislative Research Dept.;
ITEP Macrosimulation Tax Model; Kansas State Dept. of Education;
Kansas Division of Budget Monthly Revenue Reports; U.S. Census Bureau

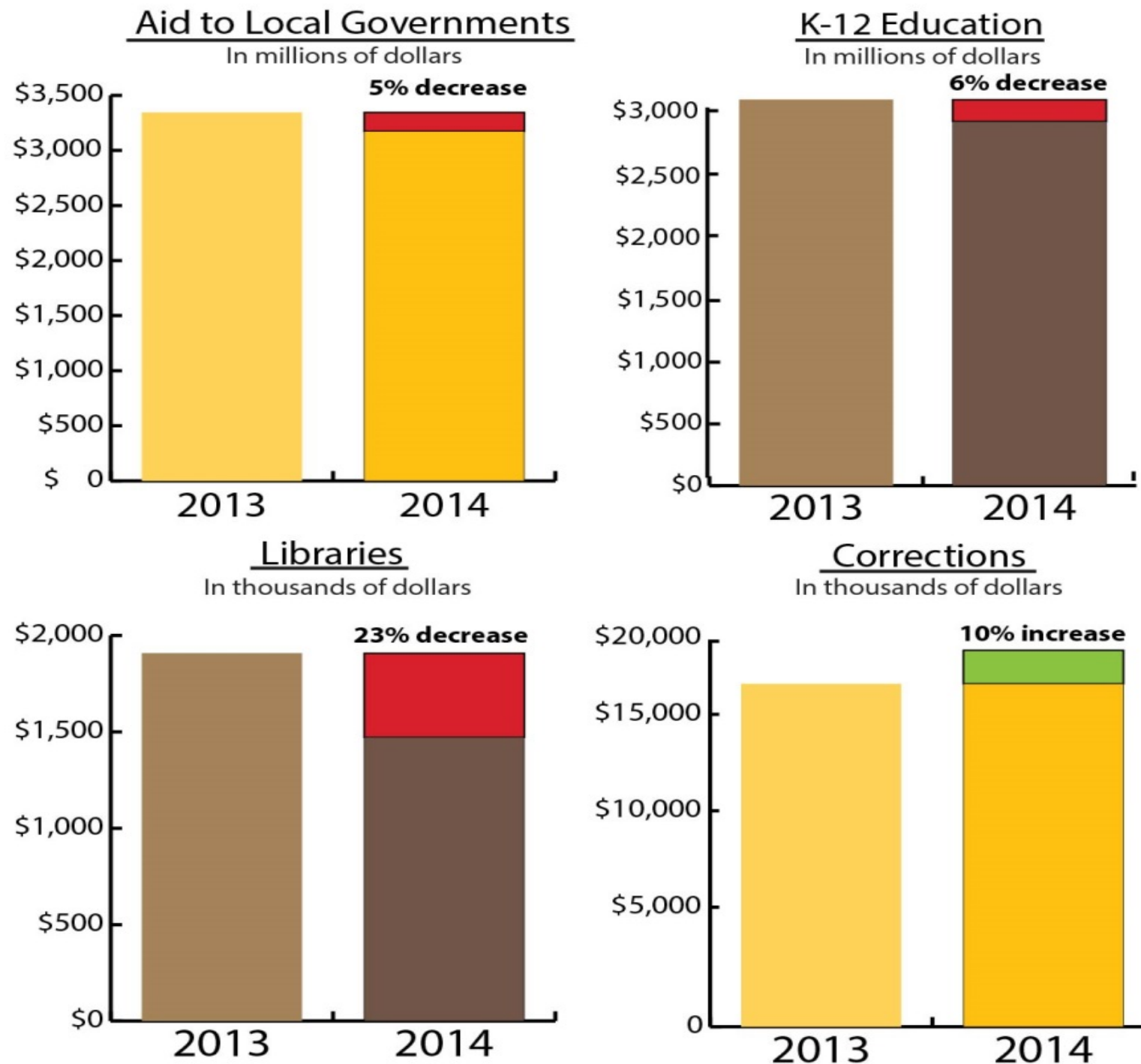
www.realprosperityks.com



Figure 1

Cuts to Local Communities in Kansas Continue

State support to localities continues to decline. Due to the tax cuts of 2012-13, Kansas has not been able to restore recession-era cuts to local communities across the state.



Source: Analysis of data from Kansas Division of Budget documents, 2013 and 2014

For More Information

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Responsible Policy. Real Prosperity.