



Responsible Policy. Real Prosperity.

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Kansas Center for Economic Growth
House Bill 2237
House Taxation Committee

Chairman Johnson and Members of the Committee:

Thank you for the opportunity to testify today in support of House Bill 2237.

My name is Duane Goossen, and I serve as a senior fellow at Kansas Center for Economic Growth. In December, KCEG convened a coalition of organizations to build a comprehensive tax reform proposal under the label "Rise Up, Kansas," which is the bill before you today. My colleague at KCEG will speak to specific components of the plan. I am here to offer perspective as a former budget director, having worked for Governors Parkinson, Sebelius, and Graves.

Managing the state budget is not easy, and I deeply appreciate the challenges you face. Outside forces can sometimes undermine even the most fiscally prudent efforts. Unfortunately, what Kansas faces in 2017 was not driven by outside forces.

Nor was it driven by out-of-control spending. Just before Governor Brownback took office in 2011, Kansas had already endured seven rounds of budget cuts in the previous 18 months. This totaled over \$1 billion.

They were painful, unprecedented cuts that had been necessitated by a global economic meltdown. At that time, Kansas had never before experienced four consecutive years of projected revenue shortfalls. When Governor Parkinson left office, he had cut more state spending than any other governor in Kansas history.

We made it through...but just barely (with only \$876.05 to spare, as some have pointed out).

By 2011, Governor Brownback took office well-positioned for recovery and growth. But of course, we know what happened next. The Governor's tax plan was pushed through the Legislature a year later. It immediately threw the budget out of structural balance, and proceeded to inflict more damage to state finances in one year than the entire Great Recession. In other words, the unprecedented pain of the recession quickly became "the good old days."

Since 2012, Kansas has endured nine more rounds of budget cuts. We have accumulated record-high debt. We have received three state credit rating downgrades. We've lowered our consensus revenue estimates six times. And there is no end in sight.

We are approaching our 17th round of budget cuts since 2008. Of course we must always be responsible stewards of taxpayer dollars but, at this point, Kansas barely has legs on which to stand.

In closing, I leave you with these three takeaways:

1. **Tax reform absolutely cannot wait another year.** Even Governor Brownback acknowledges that a revenue package must be part of this year's budget equation.
2. **We must take a comprehensive approach.** Simply closing the LLC loophole will not solve our problems. I urge you to reject anything that does not truly address the structural imbalance plaguing our budget. That means adjusting the individual rates and ending the "March to Zero."
3. **We must be pro-active, and think long-term.** We have been so consumed by crisis management for the last five years that we have not had the luxury of thinking ahead. No one – least of all you, I'm sure – wants to continue what has become a bi-annual cycle of tax increases just to keep Kansas on life support. Use this overhaul to plan for the future. We don't need a Supreme Court ruling to know that our schools are underfunded. While the damage is far too deep to fix everything overnight, I urge you to factor Kansas' most immediate needs into your decisions and address them pro-actively.

Thank you Chairman Johnson and members of the committee for the opportunity to speak with you, for your service, and for your willingness to tackle this difficult issue. I would be pleased to stand for questions at the appropriate time.