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March 15, 2017

Nathan Madden, Ph.D., Lead Analyst
Kansas Center for Economic Growth
Senate Concurrent Resolution 1602 Testimony – Verbal, Opposition
Senate Assessment and Taxation Committee

Chair Tyson and Members of the Committee:

The Kansas Center for Economic Growth is a nonpartisan organization that conducts research and analysis to promote balanced state policies that help all Kansans prosper. **We testify today in strong opposition to the adoption of SCR 1602, an inflexible, formula-based cap on crucial state investments that are vital to Kansas' economy and quality of life.**

TABOR is not a new idea, and there is sufficient evidence that it carries detrimental long-term consequences for states that enact it. For example, Colorado (one of the first states to experiment with a strict TABOR cap in the 1990's) now finds itself handcuffed, unable to invest in core services or plan for the future. Their inflexible TABOR formula hindered recovery from the national post-9/11 recession so significantly and created such a financial hole that it had to be adjusted in 2005 to rebuild badly damaged state coffers. And, despite growing revenues in recent years, Colorado has been hard hit by the downturn in the oil and gas sector. They now face a \$500 million shortfall because TABOR prevented lawmakers from building a responsible state savings account, or "Rainy Day Fund," to help weather inevitable economic slumps.

If adopted, SCR 1602 will ensure an even more devastating fiscal crisis than Kansas already faces:

- **TABOR would make it nearly impossible to pay bills, like increased school funding.** A formulaic cap such as TABOR would prevent Kansas from meeting its financial obligations, such as the recent Supreme Court ruling that state education funding is inadequate. We applied the TABOR formula as written to previous Kansas budgets, and it would have left the state unable to fund services at the level needed. For example, in FY 2013, the cap would have put revenue about **\$830 million below** what Kansas actually took in that year. This equates to about a **23.5% cut to K-12 education** for that fiscal year. In short, this proposed resolution would put the state on questionable financial footing and would likely continue the trend of underfunding schools.
- **Revenues and expenditures will become even more volatile.** States that have enacted this type of cap – as well as research by policy experts – shows that policies similar to SCR 1602 make revenues more volatile, lead to more bonding for state spending, and lower bond ratings for such states. Just last week, Standard and Poor's issued another negative credit watch for Kansas; the

consequences of TABOR would put Kansas at even greater risk for a fourth state credit rating downgrade.

- **Kansas cannot afford another dangerous tax experiment.** There is negligible evidence to support the notion that TABOR-type caps induce economic growth. Further, the volatility and inflexibility of TABOR-type caps make states weaker partners in economic development and risks business retention and recruitment. The last time Kansas enacted tax policy with no evidence that it would work, it created a crisis unlike any we have experienced in our state's history. We cannot afford to repeat that mistake. TABOR trades one crisis for another.

Kansas lawmakers weighed a similar TABOR proposal in 2006, and even the business community opposed it because of its severe consequences. Lawmakers are elected to make budget and spending decisions; they need flexibility to adjust to an always-changing economy and unforeseen variables. TABOR robs legislators of that ability.

Tax policy enacted in 2017 must stabilize and restore Kansas' revenue stream. Adopting TABOR would only exacerbate our current distress. It will harm crucial state investments and further upend our fiscal standing, all for no real economic benefit to the state. We urge the committee to reject SCR 1602.