



Title: **State's to-do list is long**

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The Kansas tax experiment, which played out from 2012 through 2017, deeply damaged Kansas finances. Income tax cuts choked revenue to the general fund and created a multi-year budget crisis. In 2017, lawmakers reversed much of the tax experiment, but many steps remain to be completed before Kansas returns to financial health:

Structurally balance the general fund

Recurring revenue — regular, ongoing general fund income — must equal or exceed expenses. The 2012 tax cuts caused four years of serious structural deficits. In those years, the gap between income and expense was bridged by drawing reserve funds down to zero, transferring money from other funds, borrowing, and delaying bill payment. Action during the 2017 legislative session to reverse tax cuts brought the general fund much closer to structural balance, but lawmakers are still depending on large transfers from the highway fund to pay expenses.

Fix school finance

Public schools are the biggest expense of state government. Funding must be adequate, predictable, and sustainable, so that school districts and the state can both reasonably construct budgets and plan for the future. In the tax cut years, school funding was squeezed down through a block grant system that unsurprisingly landed Kansas on the losing side of a court

case.

Repair state agency budgets

Over the course of the tax experiment, Kansas went through nine rounds of spending cuts, which affected almost all programs and services. The effects show up in understaffed prisons and hospitals, lackluster support for state universities, canceled highway projects, and a stressed foster care system.

Get some money in the bank

By fiscal year 2016, Kansas had used up the general fund bank balance, and the balances of many special revenue funds within state government had been raided to support the general fund. Financially, that put Kansas at rock-bottom on the spectrum of states, and left Kansas exposed. State law, which has been ignored year after year, calls for a general fund bank balance equal to 7.5 percent of expenditures. At minimum, Kansas needs to return to that level of financial reserves. Most states also have some form of a separate "rainy day fund." Kansas should have one too.

Stop transferring money out of the highway fund

Over the course of the Brownback administration, lawmakers moved more than \$2 billion from the highway fund to the general fund. Highway fund dollars are not "free" money. Every dollar taken means a dollar less for maintenance or construction.

The highway fund is set up with a revenue stream that would allow it to adequately function to take care of the Kansas road system, but not if large amounts are continually drawn off to cover for a lack of revenue in the general fund.

Expand Medicaid eligibility

Since fiscal year 2014, Kansas has foregone more than \$400 million a year in federal funding that, if accepted, would have been paid to hospitals and other medical providers to cover 150,000 Kansans under Medicaid. At first the federal funds were available without any state match. Now Kansas would cover approximately 10 percent of the cost. Even with the small match, a financially stable and responsibly functioning state should take advantage of the federal funds to both cover the health costs of Kansans and support Kansas health services.

THE CURRENT set of Kansas lawmakers have been productively working at the items on this list. The 2017 Legislature reversed much of the tax experiment, taking Kansas out of immediate financial crisis. The 2018 Legislature has made headway to address the school finance system. Still, major work remains to make Kansas a financially healthy state, requiring lawmakers to be diligent and persistent, and requiring Kansas citizens to be alert and demanding of results.